



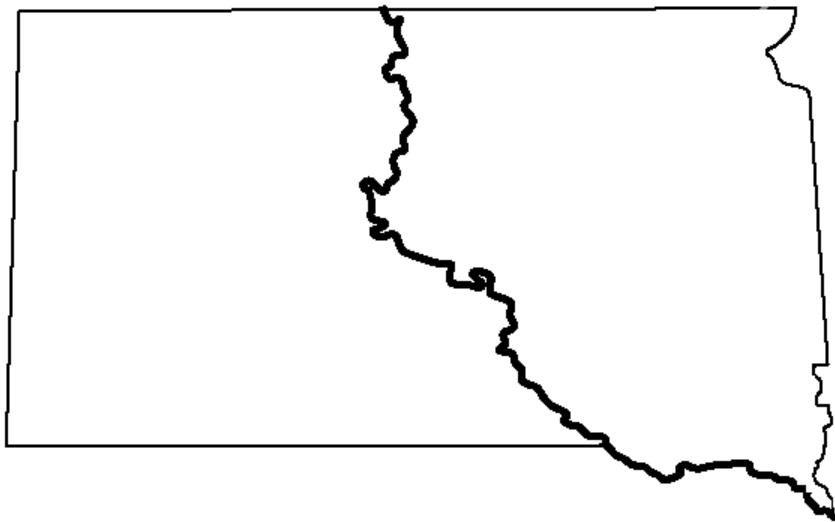
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2014

PREPARED BY THE BUREAU OF FINANCE AND MANAGEMENT
JASON C. DILGES, CHIEF FINANCIAL OFFICER



*COMPREHENSIVE ANNUAL
FINANCIAL REPORT*

FOR THE YEAR ENDED JUNE 30, 2014



DENNIS DAUGAARD, GOVERNOR

MATT MICHELS, LT. GOVERNOR

*JASON C. DILGES, CHIEF FINANCIAL OFFICER
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ACKNOWLEDGEMENTS

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South Dakota Department of Legislative Audit, Pierre

All State Finance Officers and Accountants

Eric Feiler, Manager Central Duplicating

Brian Hahn, Graphic Designer

South Dakota Office of Tourism, Photographer, Front Cover

Sincere thanks to all who contributed their time and effort to this publication.

125 Copies printed by the Bureau of Finance and Management at \$11.62 each at Central Duplicating Services.

STATE OF SOUTH DAKOTA
DENNIS DAUGAARD, GOVERNOR



February 25, 2015

TO THE MEMBERS OF THE LEGISLATURE AND CITIZENS OF SOUTH DAKOTA:

It is my pleasure to present the *Comprehensive Annual Financial Report* covering operations for the fiscal year ending June 30, 2014. This is our 28th *Comprehensive Annual Financial Report*. The report is prepared in accordance with generally accepted accounting principles and includes all agencies of state government and reporting entities for which the state has oversight responsibilities. Like previous reports, this report presents to you and the financial community the sound financial condition of South Dakota.

South Dakota's economy is expected to continue to grow. Our state's favorable business climate and solid agriculture sector provide a diversified economy positioned for growth in the future. Recent economic data supports continued growth, as the state's per capita personal income in 2013 was \$46,039, 2.8% higher than the national average. In addition, South Dakota has expanded nonfarm employment by 2.3% since the national recession, while U.S. nonfarm employment has expanded by just 1.4% compared to the previous peak employment level as of December 2014. The unemployment rate in South Dakota was one of the lowest rates in the nation through fiscal year 2014, and remains that way today.

As the Governor of this great state, I am committed to four financial priorities:

- Increasing job growth, economic development, and visitor spending,
- Taking care of those who cannot take care of themselves,
- Providing our children with a quality education, and
- Protecting our society from those who would do us harm.

South Dakota continues to operate within our means and provide these basic services to our citizens, as we have since statehood in 1889.

Sincerely,

A handwritten signature in black ink that reads "Dennis Daugaard". The signature is written in a cursive, flowing style.

Dennis Daugaard



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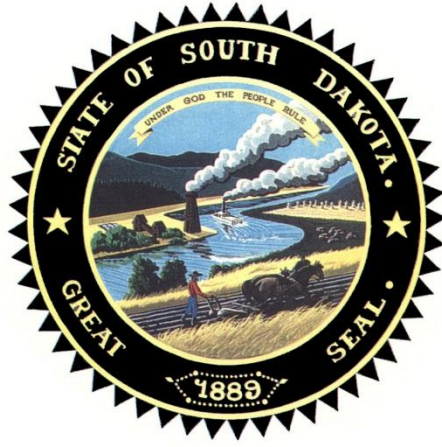
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INTRODUCTORY SECTION





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February 25, 2015

THE HONORABLE DENNIS M. DAUGAARD, GOVERNOR OF SOUTH DAKOTA
THE HONORABLE MEMBERS OF THE SOUTH DAKOTA LEGISLATURE
THE CITIZENS OF THE STATE OF SOUTH DAKOTA

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operation of the State of South Dakota (hereinafter referred to as the State) for the fiscal year ended June 30, 2014.

Report. This report is prepared by the Bureau of Finance and Management and submitted, as required, by South Dakota Codified Law 4-4-6. The financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to government as prescribed by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State's management. We believe the information, as presented, is accurate in all material respects and that all disclosures necessary to enable the reader to gain an adequate understanding of the State's financial affairs have been included.

The CAFR is presented in three sections: *Introductory*, *Financial*, and *Statistical*. The *Introductory Section*, which provides information on the general contents of the report, contains this letter of transmittal, a list of principal State officials, fiscal year 2014 functions of State government, and an organizational chart of State government. The *Financial Section* includes the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) that provides an introduction, overview, and analysis to the Basic Financial Statements; the Basic Financial Statements that present the government-wide financial statements, fund financial statements, notes to the Basic Financial Statements; Required Supplementary Information that includes budgetary comparison schedules; and Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* includes financial trends, revenue capacity, debt capacity, demographic, economic, and operating information.

Internal Controls. Management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The Bureau of Finance and Management is able to monitor revenues and expenditures on a weekly basis to detect excess expenditures or shortfalls in revenues. As required by State statute, the State Auditor, an elected official, shall be presented all accounts and claims against the State to examine and adjust the same. Also, as required by State statute, the State Treasurer, an elected official, shall have charge of, and safely keep, all public moneys which shall be paid into the State treasury, and pay out the same as directed by law. The Department of Revenue periodically audits retail establishments to assure their payment of sales and excise taxes. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefit likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

Independent Auditors. The South Dakota Department of Legislative Audit, a division of the legislative branch of State government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by the Department of Legislative Audit) includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended.

In conjunction with the audit of the State's financial statements, the Department of Legislative Audit also performs audits of major federal and state programs and issues an opinion on the State's compliance with the requirements of major federal programs. The results of the audit of federal and state programs are presented in the *South Dakota Single Audit Report*.

Internal control procedures are evaluated on an annual basis by the Department of Legislative Audit to provide reasonable assurance for the safeguarding of the State's assets and to provide reasonable assurance of proper recording of financial transactions used to prepare this report.

Management's Discussion and Analysis (MD&A). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of MD&A. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Structure. The State entered the Union on November 2, 1889 as the 39th or 40th state (with its twin, North Dakota). South Dakota has 75,885 square miles of land and a population estimated to be 0.8 million. The State has a strong executive branch with a bicameral legislative form of government. The Governor may be elected for two consecutive four-year terms. The Governor appoints all heads of state departments who serve at the pleasure of the Governor. The State Legislature is composed of a 35-member Senate and a 70-member House of Representatives. Legislators are elected for two-year terms and limited to four consecutive terms for the same seat.

Services. State government provides services to citizens that include support for public education, public assistance and Medicaid, health and human services, public safety, building and maintaining state highways, agricultural and environmental services, community and economic development, and other general government services.

Budget Process. State law requires annual preparation and approval of the State's budget. The Governor presents the annual budget to the State Legislature by the first Tuesday after the first Monday in December. The State Legislature is required to approve a budget by the end of the legislative session. There is no provision for a continuing resolution. The Constitution of the State of South Dakota requires the Legislature to pass a balanced annual budget in which expenditures and appropriations may not exceed anticipated revenue. Accumulated General Fund balances may be drawn down to balance an annual budget, as long as the General Fund balance remains positive. The Governor has the power to veto individual line items in the budget approved by the State Legislature. The State budget must remain in balance through the end of the fiscal year. Accordingly, state departments cannot encumber more funds than they have been authorized to spend. During the year, the Governor may authorize intradepartmental transfers of funds upon approval of the special committee, as long as total appropriation levels are not exceeded.

The State's largest sources of General Fund revenues are sales and service taxes, business taxes, and lottery proceeds. The largest categories of General Fund expenditures are general bill expenditures for state aid to primary and secondary education; property tax relief payments made by the State to local government units through state aid to education; the State's share of the cost of Medicaid, corrections and higher education; operation, maintenance and improvement of facilities for state government; and state salaries.

State Reporting Entity. The State's reporting entity reflected in the CAFR, which is described more fully in the Notes to the Financial Statements, conforms to the requirements of GASB. The accounting and reporting principles are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Organizations qualify as component units if the legally separate tax-exempt organization's resources directly benefit, or primarily benefit the State, and the State is financially accountable to that organization. The State is considered financially accountable to an organization if the State appoints a voting majority of the organization's governing body and is able to impose its will on that organization or if the organization can potentially provide specific and material financial benefits to, or burdens on the State, whether the State appoints the board or not. Consequently, the transmittal letter, MD&A, and the Basic Financial Statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements, excluding Higher Education and the South Dakota Value Added Finance Authority, should be read to obtain a complete overview of their financial position.

Risk Management. The Risk Management Program was created to protect the assets and resources of the State through efficient control and financing of risks inherent in government operations by ensuring a safe environment for State employees and the general public. Responsibilities include ensuring that exposures to financial loss are discovered and handled appropriately, minimizing the possible interruption of vital public services, and reducing the costs and consequences of accidents through effective loss control management.

Housed with the Risk Management Program is the Public Entity Pool for Liability (PEPL), a self-insurance program created to cover risks associated with automobile liability, and general tort liability (including public officials, errors, and omissions liability; medical malpractice liability; law enforcement liability; and, products liability).

More information on the risk management activities can be found in the Notes to the Financial Statements.

Cash Management. The South Dakota Investment Council was established by the State Legislature in 1971 and became operational on July 1, 1972. The Investment Council is responsible for the investment management of the assets of the Cash Flow Fund, the South Dakota Retirement System, School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund, and Health Care Trust Fund.

Total investment income for all funds invested by the Investment Council was \$1.9 billion for fiscal year 2014. Income for the most recent five years totaled \$6.9 billion and, since inception, has exceeded \$14.5 billion. The Investment Council has grown from \$133.0 million in assets under management at the end of its first year to \$13.0 billion at June 30, 2014. The Cash Flow Fund portfolio resulted in earnings this year of \$12.5 million, a yield of .99%. The Cash Flow Portfolio has earned taxpayers \$1.1 billion over the past 42 years. The South Dakota Retirement System's assets have returned 11.9% for the past 41 years (since inception of the Council's management responsibilities for SDRS). This performance has placed the Council in the top one percentile against other state pension funds.

Cash management and investments are discussed more fully in the Notes to the Financial Statements.

Lottery. The South Dakota Lottery Fund was created during the 1987 legislative session to market instant scratch games. Video lottery was authorized during the 1989 legislative session and operations commenced in October 1989. Legislative approval to participate in a multi-state lotto game was given during the 1990 legislative session. That same year, the State joined the Multi-State Lottery Association (MUSL), a consortium of 45 lottery jurisdictions that currently offer the Powerball game. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 2014, \$2.35 billion has been generated to fund many public programs and projects. Lottery provided \$105.8 million income (before transfers) during fiscal year 2014.

Retirement System. The South Dakota Retirement System (SDRS) provides retirement benefits for State employees and those employees of local governments that participate in the system. Employers and employees contribute equal amounts in the form of a percentage of employee compensation. SDRS is fully funded with an actuarial value funded ratio of 100.0 percent and a fair value funded ratio of 107.3 percent.

During fiscal year 2014, the South Dakota Cement Plant Retirement Fund was merged into SDRS. Because of appropriations to fully fund the Cement Plant Retirement Fund, the merger had no adverse impact on the funded status of SDRS.

The unfunded actuarial accrued liability as a percent of covered payroll went from 15.8% in 2005 to 0% in 2014. The actuarial value funded ratio increased from 96.6% in 2005 to 100% in 2014. The funded ratio is the ratio of the actuarial value of the assets of the system to the actuarial accrued liabilities of the system as of the date of calculation. In fiscal year 2014, SDRS experienced an 18.9% (net of fees) market return, more than the assumed rate of return of 7.25%.

Plan assets at fair value in 2014 were \$10.6 billion compared to plan assets in 2005 of \$6.2 billion.

The assets of the system are valued at their fair value. The system is in full compliance with the standards of the Governmental Accounting Standards Board and has received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the last nineteen years. The system is subject to an annual actuarial valuation and annual audit performed by an independent audit firm.

As previously stated, SDRS is fully funded with an actuarial value funded ratio of 100% and a fair value funded ratio of 107.3%. Therefore SDRS currently has no unfunded actuarial accrued liability (AAL) and the statutory employer and employee contributions exceed the normal cost and expenses of the system. The portion of contributions previously assigned to pay down the unfunded AAL can now be used to build the cushion to protect the system against future unfavorable experience and enhance the system's sustainability. If a future unfunded AAL develops, the statutory contributions in excess of normal cost and expenses will be available to pay down the unfunded AAL.

Additional information on the State's retirement plans can be found in the Notes to the Financial Statements.

Health and Life Insurance Benefits. The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits. However, an insurance carrier provides claims administration services for health insurance. The Group Insurance Program within the Bureau of Human Resources was established to administer and improve group health, life, and the flexible benefit plans for state employees and their dependents. The program provides for payment of benefits to eligible claimants in the most efficient and cost effective manner. Premiums are charged to state funds for all covered employees, while employees share in the costs of co-pays, deductibles, and dependent costs.

Additional information on the State's health and life insurance benefits can be found in the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

Employment growth is an important indicator of the state's economic health. The national economic recession had a negative impact on employment during 2009 and 2010, but positive employment growth returned for the past four years. South Dakota nonfarm employment declined 1.9% in 2009 and 0.1% in 2010, but rebounded with growth rates of 1.1% in 2011, 1.7% in 2012, 0.7% in 2013, and 0.8% in 2014 on a calendar year basis. This compares to the United States nonfarm employment growth of -4.3% in 2009, -0.7% in 2010, 1.2% in 2011, 1.7% in 2012, 1.7% in 2013, and 1.9% in 2014.

In fiscal year 2014 (July 2013 – June 2014), nonfarm employment in South Dakota grew 0.7% compared to the national growth rate of 1.7% over the same time period. Although South Dakota's employment growth during the fiscal year was lower than the national growth rate, South Dakota's fiscal year 2014 level of employment was 2.2% higher than the previous peak employment (fiscal year 2008), while the national level of employment was still 0.4% below the previous peak employment (fiscal year 2008). All sectors experienced growth in fiscal year 2014 in South Dakota including: mining, logging and construction; manufacturing; trade, transportation, and utilities; information; financial activities; professional and business services; education and health services; leisure and hospitality; other services; and government.

The unemployment rate in South Dakota declined over the course of fiscal year 2014 and continued to remain one of the lowest in the nation due to steady economic growth. In June of 2014, South Dakota's unemployment rate was 3.8%, which was 0.1% lower than a year earlier. The state unemployment rate in June of 2014 was 2.3% lower than the U.S. unemployment rate of 6.1% for the same month.

Income growth is another important indicator of the State's economic health. In calendar year 2013, which is the most recent annual data that is available, South Dakota's personal income grew 2.1%, slightly higher than the US growth rate of 2.0%. The lower growth rate in 2013 is primarily due to the increase in employees' share of Social Security payroll taxes that was reinstated at the beginning of 2013. However, over the past three years, the trend in total personal income growth has been relatively strong. From 2010 through 2013, South Dakota's average personal income growth rate was 5.5%, which ranked ninth in the nation during this time period. This compares to the national average growth of 4.5% and the seven state Plains region average growth of 4.9%. Over the same time period the other Plains region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced average income growth rates of 5.1%, 5.0%, 4.4%, 3.8%, 6.4%, and 9.6%, respectively. South Dakota's per capita personal income was \$46,039 in 2013, 2.8% higher than the U.S. average per capita income of \$44,765. In the past 10 years, South Dakota per capita personal income has improved from 95.1% of the US average in 2003 to 102.8% of the US average in 2013.

In the past several years, a strong agriculture economy helped the State's economy grow during challenging economic times. From 2009-2013, farm income averaged over \$3.0 billion per year, with 2011 being the highest farm income on record in South Dakota at \$4.0 billion. This compares to the previous five-year average farm

income level (2004-2008) of \$1.7 billion. In 2014, relatively healthy farm income is anticipated as lower crop prices are partially offset by strong crop production and high livestock prices.

The outlook for South Dakota's economy is for continued moderate growth. Continued employment and income growth with a steady agriculture sector have contributed to economic growth since the national recession. As of December 2014, South Dakota's nonfarm employment levels were 3,400 jobs, or 0.8% higher when compared to a year earlier. In addition, the unemployment rate in South Dakota is currently at 3.3%, much lower than the U.S. unemployment rate of 5.6% as of December 2014. South Dakota's economy is expected to continue to grow in 2015 and 2016 as the State continues to boast one of the lowest state per capita taxes in the nation. The state's business friendly environment combined with a healthy farm economy will help South Dakota's economy expand in the future.

MAJOR INITIATIVES

Governor Dugaard is focusing on strengthening the State's financial condition, improving the State's criminal justice system, advancing research and promotion at the Sanford Underground Research Facility, and providing quality education, and economic development opportunities to the citizens of South Dakota.

Listed below are some of the major initiatives the State has implemented in recent years in an effort to accomplish our goals:

Strengthening the State's financial condition and bond rating. South Dakota recently made the cover of Barron's, the Dow Jones financial weekly, as the best-run state in the nation. Our state earned the top spot due to our low debt and responsible pension funding compared to our Gross Domestic Product. Despite being the best, Governor Dugaard is committed to further strengthening the financial condition of the State and pledges to never lose sight of those values that keep our state strong. In doing so, the State has taken action to clarify the State's Constitutional balance budget requirement, maintain healthy reserves and highly funded pension plan, and work towards timely financial reporting and longer term financial planning with very low debt levels.

- The State has always taken the position that the Constitution of the State of South Dakota requires the State's budget be balanced and thus the State Legislature has always passed a balanced budget. However the language in the Constitution was unclear and ambiguous. At the request of Governor Dugaard, HJR 1007 was passed during the 2012 Legislative Session. This resolution legislatively referred a constitutional amendment to a public vote. At the November 6, 2012 General Election, the voters of South Dakota passed this constitutional amendment which clarified the balanced budget provisions within the Constitution of the State of South Dakota. Specifically, it requires the Governor to propose and the Legislature to pass an annual budget in which expenditures and appropriations may not exceed anticipated revenue. Although this Constitutional amendment provided clarity, it did not change the balanced budget philosophy that the State has followed since statehood.
- In 1991 South Dakota Legislature established a General Fund Budget Reserve, and in 1996 created the Property Tax Reduction Fund. The combined accrual basis balance of these two reserve accounts for fiscal years 2009, 2010 and 2011 was \$111.8 million, \$111.6 million and \$111.2 million. Through sound budgeting and spending practices, these combined reserves accrual basis balances have remained stable during that three year fiscal period and increased to \$139.0 million in fiscal year 2012 and \$163.1 million in fiscal year 2013. During fiscal year 2014 the General Fund Budget Reserve grew from \$95.3 million to \$105.2 million (on an accrual basis) and the Property Tax Reduction Fund went from \$67.8 million to \$48.2 million for a combined reserve accrual basis balances of \$153.4 million at the close of fiscal year 2014.
- The long-term experience of SDRS has been very favorable, resulting in a funded status that exceeds virtually all other statewide public retirement systems. The SDRS Funded Ratio based on market value of assets was 107.3% in June 2014 compared to 81% for an average of statewide public systems and 103.2% in June 2013 compared to 73% for other statewide public systems.
- In 1987 the State of South Dakota issued its first CAFR. That report contained an unqualified opinion from the Department of Legislative Audit (the independent auditors). The Independent Auditor's Report included in this report represents the 28th consecutive year South Dakota has received an unqualified opinion on our CAFR. Additionally, it is Governor Dugaard's goal for future CAFRs to be issued 6

months after the close of the fiscal year. To achieve this goal, the 89th Legislative Assembly provided additional resources geared toward achieving that goal. The Governor's fiscal year 2016 Budget Request will also call for additional resources. Should those resources be appropriated, it is anticipated the fiscal year 2016 CAFR will be issued by December 31, 2016, six months after the close of the fiscal year.

- Another aspect of strengthening the state's financial practices is for longer term financial planning. Per current state law, the Governor is required to propose and the Legislature is required to adopt an annual budget plan each fiscal year. In addition to focusing on the short-term annual budget as required by state law, the State's goal is to also implement longer range budget planning. Implementing longer term budget forecasting and planning will help identify long term financial risks earlier in the process. This enhancement to current practices will provide decision makers with additional information to make sound decisions regarding the annual budget as well as the issuance of debt over a longer period of time. Additionally, on March 14, 2013, the EEFC issued Series 2013A Tobacco Settlement Revenue Bonds (taxable) in the amount of \$123,010,000 and Series 2013B Tobacco Settlement Revenue Bonds (tax exempt) in the amount of \$46,635,000 which refunded the Series 2002A taxable bonds in the outstanding amount of \$54,035,000 and the Series 2002B tax exempt bonds in the outstanding amount of \$129,540,000. The Series 2013A and B bond interest rates ranged from 0.8% to 5.0% compared to 6.5% to 6.72% for the Series 2002 A and B bonds. The projected present value savings of the Series 2013A and B bonds is \$42,929,150 which will be realized in the Education Enhancement Trust Fund. These bonds received a dual rating by Standard and Poor's. The Series 2013 bonds are rated A through the June 1, 2023 maturity and A- for the bonds maturing on June 1, 2024 through June 1, 2027.
- House Bill 1206 from the 2014 Legislative Session was passed and signed by the Governor and provided \$56.3 million for state lease rental agreements. This removed three state bonds from the South Dakota Building Authority's balance sheet. This also included principal and interest for a fourth bond to be called at its call date.
- House Bill 1203 from the 2014 Legislative Session was passed and signed by the Governor. This bill creates new requirements for revenue estimates during legislative session and requires that the Bureau of Finance and Management and the Legislature shall produce an additional independent revenue projection no later than July thirtieth of each year. These additional measures further ensure financial stability in South Dakota.
- Senate Bill 152 from the 2014 Legislative Session was passed and signed by the Governor which appropriated the funding needed to move the South Dakota Cement Plant Retirement System from a funded status of 87.7% as of June 30, 2013, to a 107% funded status when compared with the South Dakota Retirement System. The two retirement plans have been consolidated, providing a more secure future for the South Dakota Cement Plant retirees.
- In the spring of 2014, the State of South Dakota adjusted the retiree health plan premiums for the eligible retirees between the ages of 55 and 65 (pre 65). These adjusted premiums are projected to be fully supportive of the projected claim and fee costs of the pre 65 retire health plan program thus eliminating the blended premium between the pre 65 retirees and the active employees. The new rates were graduated in with the first increase on July 1, 2014 and the final increase on January 1, 2015. This premium change assured that the State would not provide a direct or indirect premium subsidy and therefore eliminated the implicit rate subsidy. As a result, the State of South Dakota has eliminated its OPEB liability of over \$17 million.
- Two executive orders were signed by Governor Dugaard in the summer of 2014 which are designed to further strengthen South Dakota's fiscal practices. The first executive order directed the Bureau of Finance and Management to make dashboard metrics available to the public. Additionally, the first executive order further strengthened the Governor's Council of Economic Advisors. This executive order enhances the State's transparency all while providing additional expert opinions from university professors and business leaders from across the state. The second executive order directs the Bureau to prepare three working documents designed to enhance South Dakota's long-term financial planning. The three documents are: a long-term budget forecast estimate through fiscal year 2018, a capital expenditure plan through fiscal year 2019, and a debt service policy. All three documents allow South Dakota to continue sound, practice financial practices while presenting a fiscal road map for the state.

Public Safety Improvement Act. In the past 35 years, South Dakota's prison population increased 500%. In response, state leaders formed the South Dakota Criminal Justice Initiative Work Group, which was charged with analyzing sentencing and corrections data and developing policies to safely curtail prison growth. The work group recommended a package of policies which resulted in the Public Safety Improvement Act. Its purpose is to improve public safety by strengthening supervision, holding offenders more accountable, focusing prison space on violent and career criminals, and ensuring quality and sustainability of reforms while controlling corrections spending. The Act is projected to save state taxpayers approximately \$162 million in averted prison construction and operating expenses through 2022.

Significant changes were recommended for our criminal justice system to accomplish these provisions. They include enhancing and expanding drug and driving under the influence (DUI) courts, probation and parole supervision, collection of restitution, and training. New programs include two probation supervision programs combining drug testing with swift and certain sanctions, a statewide automated victim information and notification system, a parole supervision program for tribal communities, and reinvestment funding for counties who manage additional offenders locally. This Act also focuses on improved mental health and substance abuse treatment.

Juvenile Justice Reform Initiative. Following the successful passage and implementation of the Public Safety Improvement Act, Governor Dugaard formed the South Dakota Juvenile Justice Reinvestment Initiative work group. The work group has submitted a set of policy recommendations to state leaders for the upcoming 2015 Legislative Session. The proposed recommendations look to focus on expensive residential placements of youth, prevent deeper involvement in the juvenile justice system for youth committing lower level offenses, expand access to evidence-based community interventions, and ensure the quality and sustainability of reforms.

Sanford Underground Research Facility (SURF). SURF is a world-class facility for sensitive physics experiments requiring protection from the cosmic radiation bombarding the surface of the Earth. In 2007, the National Science Foundation (NSF) selected the Sanford Underground Research Facility (SURF), owned by the South Dakota Science and Technology Authority (SDSTA), as the site for a Deep Underground Science and Engineering Laboratory (DUSEL). In federal fiscal year 2012, the US Department of Energy (DOE) began sponsoring SURF operations. Experiments now installed nearly a mile underground, protected by a thick layer of rock from cosmic noise, could yield answers to some of the deepest mysteries of modern physics in the next few years. The facility also hosts applied research, such as a project to improve the commercial production of ultra-pure germanium crystals and the use of exotic "extremophile" life forms which could boost production of bio-fuels. Fourteen research collaborations are active at Sanford Lab, and they include nearly 1,000 scientists from throughout the United States and Europe. Sanford Lab is poised to become one of the leading physics laboratories in the world, and 13 of the 14 research groups at the laboratory include scientists from South Dakota universities. In December 2012, the DOE approved the Long Baseline Neutrino Experiment (LBNE) to proceed with preliminary designs to construct a large detector at SURF. LBNE construction is projected to begin in 2016 and operations could run through approximately 2040. The NSF and DOE are also considering next generation dark matter (larger detector) as well as Nuclear Astrophysics experiments at SURF that could ensure operational funding through 2030 to 2040.

To further enhance the research to be conducted at SURF, Governor Dugaard is proposing \$3,950,000 in general funds to provide upgrades to the Ross Shaft. This funding will help to assist with the long-term planning and operations of the facility and provide Ross Shaft upgrades that could lead to future multi-million dollar experiments.

South Dakota is positioning itself to take better advantage of this world-leading facility. A new physics doctoral program and better opportunities for graduate students will expand research opportunities for South Dakota students. SURF will help build the intellectual capital necessary for South Dakota to thrive in an innovation-rich economy.

Building South Dakota. The sunset of the SDCL 10-45B large project refund program and the defeat of referred law 14 left South Dakota without optimal economic development tools. In response, a bipartisan team of legislative leadership worked together to formulate a comprehensive economic development package with built in safeguards to ensure fiscal responsibility, transparency and accountability. The multi-faceted approach set forth in Senate Bill 235 from the 2013 Legislative Session focuses on education, housing, infrastructure, local economic development efforts, and large and small project needs. One component of the legislation provides for the Board of Economic Development to approve discretionary reinvestment payments, up to the amount of sales and use tax paid on project costs, for new or expanded facilities with a total project cost in excess of \$20 million, and for equipment upgrades with a total project cost in excess of \$2 million. This bill also creates the Building

South Dakota fund, and allocates a one-time appropriation of \$7.0 million in fiscal year 2014 for the initial capitalization of the fund.

Senate Bill 158 from the 2014 Legislative Session was passed and signed by the Governor amends the ongoing funding mechanism for the Building South Dakota Fund. Instead of using unclaimed property revenue, the bill guarantees a lump sum of funds to ensure adequate resources for multiple years. This funding mechanism occurs if the budget reserve and property tax reduction fund combined has a cash balance over ten percent of the general fund appropriations from the general appropriations act for the prior year. Also, the combined cash balances of the Building South Dakota fund and its subfunds would receive additional year end funds not to exceed one percent of the general fund appropriations in the general appropriations act for the previous fiscal year. In the 2014 Legislative Session, Senate Bill 157 appropriated \$30 million to the Building South Dakota fund, with \$10 million being disbursed to the five subfunds each fiscal year starting in fiscal year 2014.

The Building South Dakota fund is allocated as follows:

- 30% to the Workforce Education fund to provide grants to schools to fund the limited English proficiency adjustment and provide grants for secondary career and technical education programs
- 25% to the South Dakota Housing Opportunity fund to preserve and expand sustainable, affordable and safe housing targeted at low and moderate income families and individuals
- 25% to the Local Infrastructure Improvement grant fund to issue grants to political subdivisions or local development corporations to construct or reconstruct infrastructure for the purpose of serving economic development projects
- 15% to the Economic Development Partnership fund to issue grants to nonprofit development corporations, municipalities, counties, or other political subdivisions of this state on a matching basis for the purpose of development or expanding local, community, and economic development programs
- 5% to the Revolving Economic Development and Initiative fund to provide grants to projects having a total project cost of less than twenty million dollars

ACKNOWLEDGMENTS

The preparation of this report required the collective efforts of numerous financial personnel throughout the State from various agencies and departments. I sincerely appreciate the dedicated efforts of all of these individuals. I would also like to recognize and commend the efforts of the accounting staff of each State agency, the Bureau of Finance and Management, and the staff of the Department of Legislative Audit for their talents in making this report possible.

This report continues our commitment to the citizens of the State of South Dakota, the Governor, the Legislature, and the financial community, to maintain the highest standards of accountability and financial reporting.

Respectfully Submitted,



Jason C. Dilges, Chief Financial Officer
Bureau of Finance and Management



SOUTH DAKOTA

FY2014 PRINCIPAL STATE OFFICIALS

EXECUTIVE BRANCH

The Honorable Dennis Daugaard, Governor
The Honorable Matt Michels, Lieutenant Governor

CONSTITUTIONAL OFFICERS

The Honorable Marty J. Jackley, Attorney General
The Honorable Jason M. Gant, Secretary of State
The Honorable Rich Sattgast, Treasurer
The Honorable Steve Barnett, Auditor
The Honorable Vern Larson, Commissioner, School and Public Lands

PUBLIC UTILITIES COMMISSION

The Honorable Kristie Fiegen, Commissioner
The Honorable Gary Hanson, Commissioner
The Honorable Chris Nelson, Commissioner

LEGISLATIVE BRANCH

The Honorable Brian Gosch
Speaker of the House

The Honorable Russell Olson
Senate Majority Leader

The Honorable Jason Frerichs
Senate Minority Leader

The Honorable David Lust
House Majority Leader

The Honorable Bernie Hunhoff
House Minority Leader

JUDICIAL BRANCH

The Honorable David E. Gilbertson
Chief Justice

The Honorable John K. Konenkamp
Associate Justice

The Honorable Steven L. Zinter
Associate Justice

The Honorable Glen A. Severson
Associate Justice

The Honorable Lori S. Wilbur
Associate Justice

SOUTH DAKOTA

FY2014 FUNCTIONS OF STATE GOVERNMENT

GENERAL GOVERNMENT

Executive Management
Revenue
Lottery
Legislature
School and Public Lands
Secretary of State
State Treasurer
State Auditor

HEALTH, HUMAN AND SOCIAL SERVICES

Social Services
Health
Labor and Regulation
Veterans' Affairs
Human Services
Retirement System

LAW, JUSTICE, PUBLIC PROTECTION AND REGULATION

Corrections
Unified Judicial System
Attorney General
Public Safety
Military
Appraiser Program
Labor Financial Services
Labor Boards and Commissions
Revenue – Commission on Gaming
Public Utilities Commission

AGRICULTURE AND NATURAL RESOURCES

Agriculture
Game, Fish and Parks
Environment and Natural Resources

TRANSPORTATION

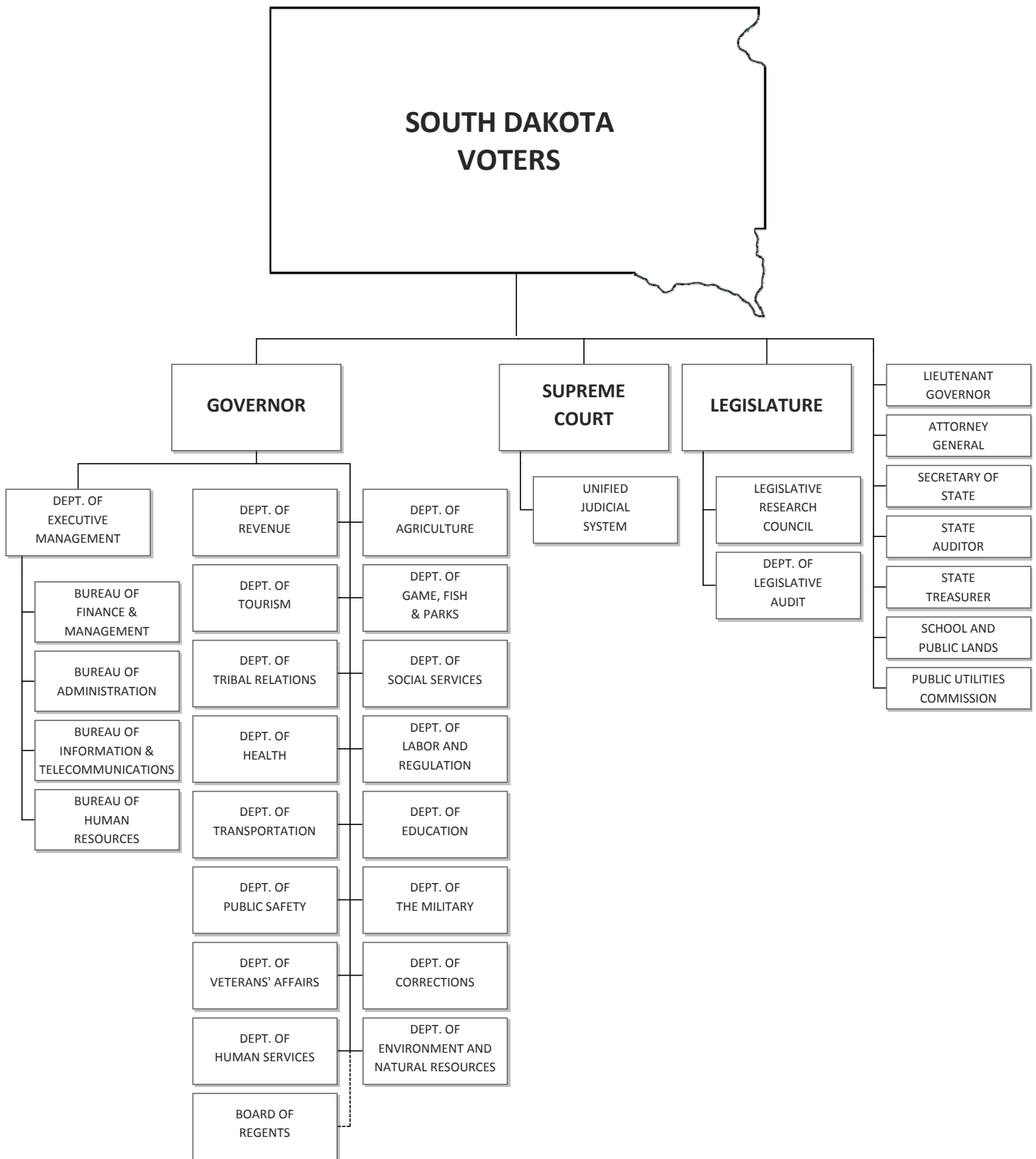
Transportation

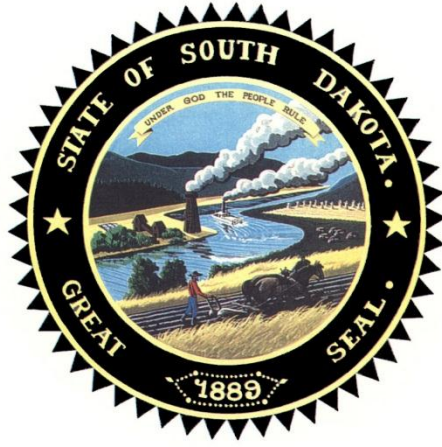
EDUCATION

Education
Elementary, Secondary, and Vocational
Schools
Higher Education
State Aid to Universities

ECONOMIC RESOURCES

Tourism
Economic Development
Tribal Relations





FINANCIAL SECTION





427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595
FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable Dennis Daugaard
Governor of South Dakota

and

Members of the Legislature
State of South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Dakota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Unemployment Insurance Fund, the South Dakota Retirement System, the South Dakota Housing Development Authority, the South Dakota Ellsworth Development Authority, and certain foundations of Higher Education. Those financial statements reflect total assets and deferred outflows of resources and revenues and additions of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information as follows:

	Percent of <u>Total Assets*</u>	Percent of Total <u>Revenues/Additions</u>
Government-wide financial statements:		
Business-type activities:		
Unemployment Insurance Fund	9.1%	18.0%

Fund financial statements:

Aggregate discretely presented component units:

South Dakota Housing Authority	46.0%	11.0%
South Dakota Ellsworth Development Authority	.8%	.2%
Foundations of Higher Education	16.0%	14.7%

Aggregate remaining fund information:

Unemployment Insurance Fund	.6%	1.2%
South Dakota Retirement System	88.5%	46.2%

* including deferred outflows of resources

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units (foundations) of Higher Education were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the State adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This resulted in the restatement of beginning net position as described in the note. Our opinion is not modified with respect to this matter.

As discussed in Note 7 to the financial statements, the South Dakota Retirement System merged in the Cement Plant Retirement Fund which had a net position of \$54,228,036 as of June 30, 2013. The State elected to early implement the provisions of Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations* and thus updated the previously reported net position to account for the merger in accordance with this statement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 36 and the budgetary comparison schedules on pages 110 through 125 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual fund financial statements on pages 128 through 163 and the introductory and statistical sections on pages 1 through 12 and 165 through 184, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



Martin L. Guindon, CPA

Auditor General

February 25, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of South Dakota's (hereinafter referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2014. This document begins with a one page summary of financial highlights, followed by a more detailed overview of the financial statements and financial analysis. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

FINANCIAL HIGHLIGHT SUMMARY

Government-wide

- Total assets and deferred outflows of resources of the State exceeded its total liabilities and deferred inflows of resources at the close of the fiscal year by \$5.9 billion (reported as net position). Of this amount \$5.1 billion is restricted for specific uses or invested in capital assets. The remaining \$0.8 billion is unrestricted and may be used to meet the government's ongoing obligations. However, certain resources within this unrestricted net position have internally imposed limitations that are discussed within the *Government-wide Financial Analysis* section of this document.
- The State's total net position increased by \$347.8 million, or 6.3% from the prior year. Net position of governmental activities increased by \$304.5 million or 6.1%, while net position of business-type activities increased by \$43.3 million or 7.9% over the prior year.
- Component units reported total net position of \$1.8 billion, an increase of \$184.9 million, or 11.5% from the prior year.

Fund Level

- The State's governmental funds reported combined ending fund balances of \$1.8 billion, an increase of \$130.1 million, or 7.7% from the prior year. Of the \$1.8 billion in combined ending fund balance, \$496.9 million is nonspendable and \$927.2 million is restricted by outside sources or enabling legislation. Another \$46.8 million is committed by state law and \$183.4 million has been assigned for various specific purposes. The remaining \$154.4 million is unassigned. Please refer to the Notes to the Financial Statements for further explanation and breakdown of these balances. Certain resources within the \$154.4 million of the unassigned fund balance have internally imposed limitations that are discussed throughout the *Financial Analysis of the State's Funds* section of this document and the Notes to the Financial Statements.
- At the end of the fiscal, year the General Fund had a fund balance of \$320.3 million. This includes General Fund Budget Reserve and Property Tax Reduction Fund balances of \$105.2 million and \$48.2 million, respectively.
- The State's three trust funds (Dakota Cement Trust, Education Enhancement Trust and Health Care Trust, reported as special revenue funds) and the State's Permanent Fund grew in value during the fiscal year. After transferring a combined amount of \$30.1 million to the General Fund and \$0.5 million to other special revenue funds, these funds closed the year with a combined ending fund balance of \$966.9 million, an increase of \$114.8 million.
- Proprietary funds reported net position at year-end of \$633.6 million, an increase of \$67.7 million, or 12.0% from the prior year.

Long-Term Debt

- The primary government's total long-term debt (Revenue Bonds, Trust Certificates and Capital Leases) as of June 30, 2014, totaled \$486.4 million, a decrease of \$9.7 million from the last fiscal year-end. The decrease represents the net difference between new issuances, payments and refunding of outstanding debt.
- During the fiscal year, the State paid off \$54.8 million of bond debt for the primary government and Higher Education (a discretely presented component unit).
- The South Dakota Building Authority issued \$4.5 million in revenue bonds for Governmental Activities. The State did not incur any new long-term general indebtedness under Business-type Activities. The South Dakota Building Authority issued \$77.3 million in revenue bonds for Higher Education.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State's Basic Financial Statements. The State's Basic Financial Statements are comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains Required Supplementary Information and Other Supplementary Information in addition to the Basic Financial Statements.

Government-wide Financial Statements (Reporting the State as a whole)

The Government-wide Financial Statements are designed to provide readers with a broad overview of the State's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position that aids in assessing the State's economic condition at the end of the fiscal year. These statements include all nonfiduciary assets and liabilities, using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account, regardless of when cash is received or paid. The Government-wide Financial Statements include two statements:

- *The Statement of Net Position* presents information on all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them being reported as net position. Over an extended period of time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.
- *The Statement of Activities* presents information depicting how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and the Statement of Activities segregate the activities of the State into three types:

- *Governmental Activities.* The governmental activities of the State include the following:
 - General government
 - Education – elementary, secondary and vocational schools
 - Education – state support to higher education
 - Health, human and social services
 - Law, justice, public protection and regulation
 - Agriculture and natural resources
 - Economic resources
 - Transportation
 - Intergovernmental – payments to school districts
 - Intergovernmental – revenue sharing
 - Unallocated interest expense
 - Unallocated depreciation

Taxes, fees, unrestricted investment earnings, and intergovernmental revenues (federal grants) finance most of the costs of these activities.

- *Business-type Activities.* The State charges fees to customers to help cover all or most of the costs of certain services it provides. The Lottery Fund is an example of a business-type activity.

- *Discretely Presented Component Units.* Component units are legally separate organizations for which the State is financially accountable, or the nature and significance of the unit's relationship with the State is such that exclusion of the unit would cause the State's financial statements to be misleading, or incomplete. The following entities are included in the component unit columns of the State's Government-wide Financial Statements:
 - Higher Education
 - South Dakota Housing Development Authority
 - South Dakota Science and Technology Authority
 - South Dakota Economic Development Finance Authority
 - South Dakota Ellsworth Development Authority
 - South Dakota Value Added Finance Authority

Other component units are blended and reported as part of primary government or considered related organizations and not reported in these financial statements. For additional information regarding component units, refer to the Notes to the Financial Statements.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity. All funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these categories use different accounting approaches and should be interpreted differently.

- *Governmental Funds.* Most of the State's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The Governmental Fund Financial Statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine the financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund, special revenue, capital projects, debt service, and permanent funds.

Since the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the State's short-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund's financial statements.

The State maintains several individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Transportation Fund, Social Services Federal Fund, Dakota Cement Trust Fund, and Education Enhancement Trust Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for some nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- *Proprietary Funds.* Proprietary funds include: (1) enterprise funds and (2) internal service funds. These funds account for the State's activities that operate much like private sector businesses. Like the Government-wide Financial Statements, proprietary fund statements are presented using the accrual basis of accounting.
 1. Enterprise funds (e.g., Lottery Fund) are used to account for activities that largely involve customers outside of state government and are reported as business-type activities in the Government-wide Financial Statements.
 2. Internal service funds (e.g., Fleet and Travel Management) are used to account for activities that largely involve other state agencies. The internal service fund activities are consolidated with the governmental activities in the Government-wide Financial Statement because those services predominantly benefit governmental rather than business-type activities.

The State maintains several individual proprietary funds. The following three are considered major funds: Lottery Fund, Clean Water State Revolving Fund, and Drinking Water State Revolving Fund. These three proprietary funds are presented separately in the Proprietary Funds Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position. Information from the remaining funds is combined into two separate, aggregated columns by proprietary fund type. Individual fund data for some nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

- *Fiduciary Funds.* Fiduciary funds (e.g., South Dakota Retirement System) are used to report activities when the State acts as a trustee or fiduciary to hold resources for the benefit of parties outside state government. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The Government-wide Financial Statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the State to finance operations.

The State's fiduciary funds include pension trust funds, private purpose trust funds, and agency funds. Individual fund data for some of the fiduciary funds is included in the Combining Financial Statements elsewhere in this report.

Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the financial statements and provide additional narrative and financial information essential to fully understand the data provided in the Government-wide Financial Statements and the Fund Financial Statements. The Notes to the Financial Statements are located immediately following the fiduciary funds' financial statements.

Required Supplementary Information

The Basic Financial Statements are followed by a section of Required Supplementary Information. This section includes a Budgetary Comparison Schedule and related notes for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The only special revenue funds that fit this criterion are the Transportation Fund and the Social Services Federal Fund.

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for the fiscal year. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

Because accounting principles used to present budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP), a Budget-to-GAAP Reconciliation can be found immediately following the Budgetary Comparison Schedule. The Budget-to-GAAP Reconciliation explains the differences between budgetary outflows and GAAP expenditures.

Other Supplementary Information

Other Supplementary Information includes Combining Financial Statements for nonmajor governmental funds, proprietary funds, fiduciary funds, and component units that are incorporated into the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As presented in the following table, total assets and deferred outflows of resources of the State on June 30, 2014 were \$6.9 billion, while total liabilities and deferred inflows of resources were \$1.0 billion, resulting in combined net position (governmental and business-type activities) of \$5.9 billion a 6.3% increase from the previous year. This increase in total net position reflects the growing South Dakota economy and sound management of the State's resources.

State of South Dakota Net Position as of June 30 (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		% of
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013	Change
Current and Other Assets, as restated	\$ 2,259,060	\$ 2,066,791	\$ 806,520	\$ 774,851	\$ 3,065,580	\$ 2,841,642	7.9%
Capital Assets, as restated	3,798,755	3,672,397	3,650	4,379	3,802,405	3,676,776	3.4%
Total Assets	6,057,815	5,739,188	810,170	779,230	6,867,985	6,518,418	5.4%
Deferred Outflows of Resources	5,341		6,742		12,083		
Current and Other Liabilities, as restated	356,610	337,189	14,616	15,334	371,226	352,523	5.3%
Long-Term Liabilities Outstanding, as restated	403,584	403,548	209,239	214,167	612,823	617,715	(0.8)%
Total Liabilities	760,194	740,737	223,855	229,501	984,049	970,238	1.4%
Net Position:							
Net Investment in Capital Assets, as restated	3,673,267	3,550,749	3,650	4,379	3,676,917	3,555,128	3.4%
Restricted, as restated	1,383,140	1,245,213	912	916	1,384,052	1,246,129	11.1%
Unrestricted, as restated	246,555	202,489	588,495	544,434	835,050	746,923	11.8%
Total Net Position, as restated	\$ 5,302,962	\$ 4,998,451	\$ 593,057	\$ 549,729	\$ 5,896,019	\$ 5,548,180	6.3%
Percent of Total Primary Government Net Position	89.9%	90.1%	10.1%	9.9%	100.0%	100.0%	

In fiscal year 2014, Governmental Activities accounted for 89.9% of the State's total net position and Business-type Activities accounted for 10.1% as compared to 90.1% and 9.9% in the prior fiscal year.

Net Investment in Capital Assets

The largest component of the State's net position, \$3.7 billion or 62.4%, reflects investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. This represents a \$121.8 million, or 3.4% increase in the State's investment in capital assets from the prior year. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

Total restricted net position at year end was of \$1.4 billion, or 23.5%, of total net position, an increase of \$137.9 million, or 11.1% from the prior year. The net position is subject to restrictions either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation on how they can be used.

A majority of the restricted net position is accounted for in the State's three trust funds and the State's Permanent fund. As discussed later in this document, two of these trust funds (Education Enhancement Trust and Health Care Trust) and the Permanent fund are held as permanent investments, either as expendable (\$192.4 million) or nonexpendable (\$472.1 million), and the third (Dakota Cement Trust) is restricted for education (\$302.4 million).

The combined fund balance of these four funds totals \$966.9 million. Aside from the constitutionally authorized annual distributions, these funds can only be accessed through a constitutional amendment (Dakota Cement Trust and Permanent Fund) or by a three-fourths vote of the legislature (Health Care Trust Fund and Education Enhancement Trust).

The remaining \$417.2 million of restricted net position is restricted for highways (\$114.5 million), agriculture and natural resources (\$81.0 million) economic development (\$76.3 million), railroads (\$46.6 million), debt service (\$33.0 million) and the remaining amounts other purposes.

\$114.8 million of the \$137.9 million increase in net position is attributed to the increase in fund balance of the three trust funds and the Permanent fund due to growth in investments from favorable market conditions and sound investment strategies.

Unrestricted Net Position

The remaining net position balance, \$835.1 million, is defined by accounting standards as “unrestricted” net position. However, much of the unrestricted net position balances cannot be used to meet the State’s general ongoing obligations to citizens and creditors as resources because of limitations imposed by federal regulations, bond covenants, constitutional provision or state law. Limitations on unrestricted net position imposed by federal regulations and bond covenants include \$209.5 million within the Clean Water State Revolving Fund and \$158.4 million within the Drinking Water State Revolving Fund. Other federal and state regulation limitations include, but are not limited to, \$106.9 million within the Revolving Economic Development and Initiative Fund, \$74.0 million for unemployment insurance claims, \$8.2 million for revolving loan programs, and \$5.6 million for health and public assistance.

Those funds with limitations imposed by State Law include the following:

- *General Fund Budget Reserve (\$105.2 million).* The 1991 South Dakota Legislature established a General Fund Budget Reserve whereas expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each house of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to S.D. Const., Art. III, § 1. The balance in the General Fund Budget Reserve at June 30, 2014 was \$105.2 million, an increase of \$9.9 million from the prior year.
- *Property Tax Reduction Fund (\$48.2 million).* Senate Bill 225, passed during the 1996 legislative session, created the “Property Tax Reduction Fund” (PTRF). Its intent is to fund property tax relief in South Dakota by decreasing local effect and increasing the state share in funding education. This law provides that the Commissioner of Bureau of Finance and Management may transfer monies available from the PTRF to the General Fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from four sources: (1) 49.5% of video lottery net machine income; (2) 60% of the revenue from the 4% tax on the gross receipts of telecommunications services; (3) 33% share of revenue generated from the tobacco tax in excess of \$35 million; (4) transfers from the Wind Energy Tax Fund; and (5) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve, if the amount in the PTRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. This statutorily created fund does not qualify as a special revenue fund under GASB 54 and is reported as a subfund of the General Fund for financial reporting purposes. It is and will continue to be budgeted for, accounted for and tracked separately on the State’s budget and accounting systems. The fund balance in the PTRF at June 30, 2014 was \$48.2 million, a decrease of \$19.6 million from the previous year. The PTRF provided \$126.2 million in property tax relief through state aid to education in fiscal year 2014.

House Bill 1050 of the current 2015 Legislative Session proposes changes to the PTRF. If passed, this bill would repeal the PTRF and allow current receipts of the PTRF to instead flow directly into the General Fund with its fund balance to be placed in a new statutorily created fund.

Changes in Net Position

The following table summarizes financial information derived from the government-wide statement of activities and reflects how the State's net position changed during fiscal year 2014:

State of South Dakota Change in Net Position for the Fiscal Year Ending June 30 (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		% of Change
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013	
Revenues:							
Program Revenues:							
Charges for Service	\$ 436,465	\$ 421,983	\$ 240,350	\$ 246,958	\$ 676,815	\$ 668,941	1.2%
Operating Grants and Contributions, as restated	1,582,641	1,588,980	33,994	30,519	1,616,635	1,619,499	(0.2)%
Capital Grants and Contributions	1,516	1,046			1,516	1,046	44.9%
General Revenues:							
Sales Taxes	858,001	802,700			858,001	802,700	6.9%
Motor Fuel Taxes	136,395	139,048			136,395	139,048	(1.9)%
Contractors Excise Taxes	93,746	94,967			93,746	94,967	(1.3)%
Bank Card and Franchise Taxes	23,943	49,493			23,943	49,493	(51.6)%
Other Taxes	311,397	299,726			311,397	299,726	3.9%
Investment Earnings	142,003	130,881			142,003	130,881	8.5%
Gain on Sale of Capital Assets	2,726	2,127			2,726	2,127	28.2%
Miscellaneous (as restated)	133,988	81,055			133,988	81,055	65.3%
Total Revenues	3,722,821	3,612,006	274,344	277,477	3,997,165	3,889,483	2.8%
Program Expenses:							
General Government, as restated	180,221	171,103			180,221	171,103	5.3%
Education – Elementary, Secondary and Vocational Schools	206,939	201,177			206,939	201,177	2.9%
Education – State Support to Higher Education	219,341	176,294			219,341	176,294	24.4%
Health, Human and Social Services, as restated	1,380,648	1,366,007			1,380,648	1,366,007	1.1%
Law, Justice, Public Protection and Regulation	321,186	277,223			321,186	277,223	15.9%
Agriculture and Natural Resources	152,666	144,245			152,666	144,245	5.8%
Economic Resources	40,121	43,300			40,121	43,300	(7.3)%
Transportation	473,323	537,497			473,323	537,497	(11.9)%
Intergovernmental – Payments to School Districts	393,606	394,857			393,606	394,857	(0.3)%
Intergovernmental – Revenue Sharing	161,564	141,514			161,564	141,514	14.2%
Unallocated Interest Expense	9,198	14,537			9,198	14,537	(36.7)%
Unallocated Depreciation	53	53			53	53	0.0%
Lottery			42,806	44,114	42,806	44,114	(3.0)%
Clean Water State Revolving, as restated			9,879	11,771	9,879	11,771	(16.1)%
Drinking Water State Revolving, as restated			9,352	10,781	9,352	10,781	(13.3)%
Other			66,042	81,648	66,042	81,648	(19.1)%
Total Expenses	3,538,866	3,467,807	128,079	148,314	3,666,945	3,616,121	1.4%
Excess (Deficiency) Before Transfers	183,955	144,199	146,265	129,163	330,220	273,362	
Special Items	17,619				17,619	0	
Transfers	102,937	104,426	(102,937)	(104,426)	0	0	
Change in Net Position	304,511	248,625	43,328	24,737	347,839	273,362	
Net Position – Beginning, as restated	4,998,451	4,749,826	549,729	524,992	5,548,180	5,274,818	
Net Position – Ending, as restated	\$ 5,302,962	\$ 4,998,451	\$ 593,057	\$ 549,729	\$ 5,896,019	\$ 5,548,180	
Percent Change in Total Net Position from prior year	6.1%		7.9%		6.3%		

Governmental Activities:

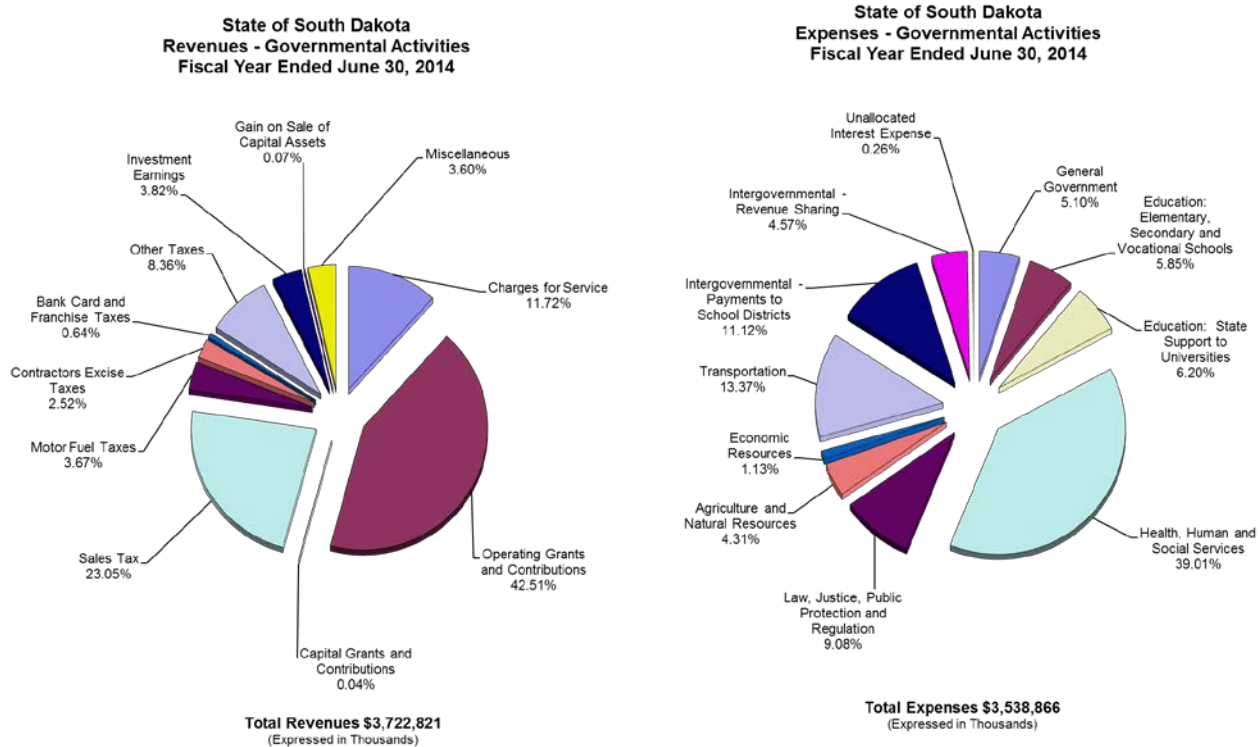
The State's net position for Governmental Activities at the end of fiscal year 2014 was \$5.3 billion, an increase of \$304.5 million, or 6.1%, from its current operations. This was the result of the net effect of the following: (1) \$3.7 billion revenues (an increase from the prior year of \$110.8 million); less (2) \$3.5 billion expenses (an increase over the prior year of \$71.1 million); plus (3) net transfers of \$102.9 million (primarily from the South Dakota Lottery) and \$17.6 million from the elimination of the State's OPEB liability.

- The increase in revenues was primarily due to a \$55.3 million increase in sales taxes revenues generated from a growing and expanding South Dakota economy, and a \$52.9 million increase in miscellaneous revenue largely attributed to: (1) two large banks moving their corporate office locations

to South Dakota creating ongoing increased unclaimed property revenue in the General Fund, and (2) a one-time increase in unclaimed property revenue in the General Fund resulting from a law change regarding the timing of the remittance of unclaimed property. This one-time surge in unclaimed property revenue was created by House Bill 1270 of the 2012 Legislative Session, which shortened the time period in which unclaimed property is presumed abandoned from five years to three years.

- The increase in expenses was primarily due to \$48.8 million and \$43.0 million increases to education and law, justice and public protection, respectively, which was offset by a \$64.2 million reduction in transportation expenditures.

The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2014:



This fiscal year, the State received 42.5% of its revenues from grants and contributions, and 23.1% from sales tax. In the previous year, grant and contributions accounted for 44.0% and 22.3% from sales tax. Charges for service accounted for 11.72% as compared to 11.70% in the prior fiscal year.

In fiscal year 2014, health, human and social services (taking care of people) accounted for 39.0% of the State's expenses, followed by 23.2% to education (K-12 and post-secondary), 13.4% to transportation (constructing and maintain roads and bridges) and 9.1% for law, justice and public protection (protecting people).

Business-type Activities:

Net position of the business-type activities at the end of fiscal year 2014 was \$593.1 million an increase of \$43.3 million due to total revenues exceeding total expenses and transfers out. Although net position for Business-type Activities only accounts for roughly 10% of the total net position, Business-type Activities provided \$102.9 million in net transfers to Governmental Activities to help fund current operations, most of which came from the South Dakota Lottery.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows and outflows during the fiscal year and on balances of spendable resources as of fiscal year-end. Such information is useful in assessing the State's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. However, this measure must be used with care because large portions of the balance may relate to internally imposed limitations, such as constitutional or statutory language, which could limit resource use (e.g., General Fund Budget Reserve, Dakota Cement Trust Fund, Health Care Trust Fund, Education Enhancement Trust Fund, Property Tax Reduction Fund, and Permanent Fund), unless appropriated by legislative action as defined by State law.

As shown in the table below, at the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.8 billion, an increase of \$130.5 million during the year. Of this amount approximately 27.5%, or \$496.9 million of the combined ending fund balances is nonspendable; either due to its form or legal constraints. The nonspendable portion is predominately made up of the Education Enhancement Trust and the Health Care Trust funds to be held as permanent investments. Approximately 51.3%, or \$927.2 million of the combined ending fund balances is restricted by outside sources or enabling legislation. 2.6%, or \$46.8 million, of the combined balance is committed by state law and 10.1%, or \$183.4 million, has been assigned internally for specific purposes. The remaining \$154.4 million or 8.5% is unassigned according to GASB 54. Certain resources within the \$154.4 million of the unassigned fund balance have other internally imposed limitations as discussed below. (Please refer to Notes to the Financial Statements for a further explanation and breakdown of these balances.)

State of South Dakota
Governmental Fund Balance as of June 30, 2014
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total	% of Total Fund Balance
Nonspendable	\$ 3,629	\$ 17,287	\$ 211	\$	\$ 341,732	\$ 133,997	\$ 496,856	27.5%
Restricted	8,264	107,616		302,362	145,923	363,009	927,174	51.3%
Committed						46,766	46,766	2.6%
Assigned	149,021		1,160			33,179	183,360	10.1%
Unassigned	159,403					(5,040)	154,363	8.5%
Total Fund Balances	\$ 320,317	\$ 124,903	\$ 1,371	\$ 302,362	\$ 487,655	\$ 571,911	\$ 1,808,519	
% Change from prior year	(0.6)%	(7.2)%	(25.5)%	12.5%	14.3%	9.1%	7.7%	

The following governmental funds are major funds and had significant impact on the state's financial position during fiscal year 2014:

General Fund (\$320.3 million).

The General Fund is the chief operating fund of the State. It accounts for all financial resources not accounted for and reported in another fund.

The General Fund receives a majority of its operating cash from sales and use tax, and contactor's excise tax revenue. Other General Fund tax revenues include, but are not limited to, unclaimed property remittance, bank taxes, cigarette excise tax, tourism tax, mineral tax, alcoholic beverage tax, and insurance company tax. The General Fund also receives annual statutory transfers from the South Dakota Lottery Fund, the Securities and Insurance Fund, the Education Enhancement Trust Fund, the Dakota Cement Trust Fund, Education Enhancement Tobacco Tax Fund, the South Dakota Gaming Commission Fund, and the Health Care Trust Fund.

A vast majority of the General Fund expenditures are for education (K-12 and post-secondary); health, human and social services (taking care of people); and law, justice, public protection and regulation (protecting people). The General Fund also makes annual transfers out for debt service and to various other funds.

The exhibit below details the General Fund revenue, expenditures, and transfers in a comparative table.

State of South Dakota
Change in Revenue, Expenditures and Transfers
General Fund
(Expressed in Thousands)

Revenues and Transfers In				Expenditures and Transfers Out			
	General Fund		% of Change		General Fund		% of Change
	FY2014	FY2013			FY2014	FY2013	
Revenue:				Expenditures:			
Taxes:				Current:			
Sales and Use Tax	841,456	785,997	7.1%	General Government	48,635	37,043	31.3%
Contractor's Excise Tax	93,460	94,687	(1.3)%	Education (all)	638,742	594,293	7.5%
Bank Tax	23,943	49,493	(51.6)%	Health, Human and Social Services	484,262	453,929	6.7%
Insurance Company Tax	66,398	64,354	3.2%	Law, Justice, Public Protection and Regulation	147,203	135,271	8.8%
Cigarette Excise Tax	32,866	33,713	(2.5)%	Agriculture and Natural Resources	15,638	13,699	14.2%
Tourism Tax	16,136	14,109	14.4%	Economic Resources	24,415	22,299	9.5%
Alcohol Beverage Tax	15,988	15,835	1.0%	State Shared Revenue Paid			
Mineral Tax	9,286	9,141	1.6%	to Other Governments	38,047	22,228	71.2%
Other	7,478	6,387	17.1%	Debt Service:			
Licenses, Permits and Fees	10,097	9,622	4.9%	Payment to Refunded Bond Escrow Agent	16,924		
Fines, Forfeits and Penalties	358	460	(22.2)%	Total Expenditures	1,413,866	1,278,762	10.6%
Use of Money and Property	8,254	7,330	12.6%				
Sales and Services	17,706	16,484	7.4%				
Administering Programs	25	39	(35.9)%				
Unclaimed Property Remittance	101,143	35,494	185.0%				
Other Revenue	6,498	7,694	(15.5)%				
Total Revenue	1,251,092	1,150,839	8.7%				
Transfers In:				Transfers Out:			
South Dakota Lottery fund	98,534	98,554	(0.0)%	Building Authority Debt Service fund	12,157	6,330	92.1%
Securities and Insurance fund	42,704	39,252	8.8%	Railroad Trust fund	8,200		
Education Enhancement Trust fund	15,700	14,413	8.9%	Retirement Systems	7,598	2,000	279.9%
Dakota Cement Trust fund	10,063	9,357	7.5%	South Dakota Future fund	2,000	2,000	0.0%
Health Care Tobacco Tax fund	8,305	7,992	3.9%	State Fire Suppression fund	1,950	6,200	(68.5)%
Education Enhancement Tobacco Tax fund	8,061	7,757	3.9%	Vocational Education Facilities fund	1,650	1,650	0.0%
South Dakota Gaming Commission fund	6,379	6,918	(7.8)%	Revolving Economic Development and Initiative fund	1,500	1,231	21.9%
Health Care Trust fund	4,323	3,960	9.2%	Labor fund	1,376	1,233	11.6%
Other funds	5,665	8,596	(34.1)%	Education Enhancement Trust fund		3,000	
Total Transfers In	199,734	196,799	1.5%	All Other Transfer Outs	2,600	4,637	(43.9)%
				Total Transfers Out	39,031	28,281	38.0%

Total General Fund revenues increased by \$100.3 million from the prior year, largely attributed to a \$55.5 million increase in sales and use taxes due to an expanding economy, and a \$65.6 million surge in unclaimed property remittances (as previously discussed). All other General Fund revenues remained stable with the exception of bank taxes which fell by \$25.6 million or 51.6%. Bank taxes are a volatile source of revenue that can fluctuate from year to year, as seen here.

Overall, transfers into the General Fund from other funds remained stable with a slight increase of \$2.9 million or 1.5%. This increase is attributed to an increased value of the State's three trust funds and other funds with statutory transfers.

Because of this increase in General Fund revenue, the State took steps to strengthen the State's overall financial position through one time expenditures, appropriations, and transfers out of the General Fund in fiscal year 2014. Those actions include:

- Elimination of \$54.8 million of bond debt. This included paying off \$37.9 million in bonds and escrowing an additional \$16.9 million for principal and interest payments for an additional bond to be paid at its call date.
- \$7.6 million transfer to the South Dakota Cement Plant Retirement System (CPRS) to fully fund the CPRS, insuring no adverse effects before it was merged with the South Dakota Retirement System.

- \$30 million was appropriated from the General Fund to prefund the Building South Dakota programs for three future fiscal years. \$1.5 million was transferred to the Revolving Economic Development and Initiative Fund. \$7.5 million was distributed to the South Dakota Housing Opportunity Fund. There was no expenditure or transfer out of the General Fund for the remaining \$21 million as the programs receiving these monies are statutorily created and reported in the General Fund for financial reporting. These are reported as assigned (see table below). This action will free up revenues in the fiscal year 2015, 2016, and 2017 for other purposes.
- \$16.4 million was appropriated to build the new State Veterans' Home, thus eliminating the need to issue bonds.

With the implementation of GASB 54, thirteen statutorily created accounts no longer qualify as Special Revenue Funds and were required to be combined with the State's General Fund in fiscal year 2014. The General Fund and these thirteen funds were, and will continue to be budgeted for, accounted for and tracked separately on the State's budget and accounting systems.

The following table identifies the General Fund beginning and ending fund balances before and after the GASB 54 changes (expressed in thousands):

	General Fund FY2014 Beginning Fund Balance	General Fund FY2014 Ending Fund Balance
Fund Balance - General Fund, as restated	\$ 322,322	\$ 320,317
Less: Statutorily Created Funds Combined with the General Fund	Beginning Balance	Ending Balance
Property Tax Reduction - assigned for Education	\$ 67,757	\$ 48,184
Tourism Promotion - assigned for Tourism Promotion	2,529	2,835
Investment Council Operating - assigned for Other	805	990
Private Activity Bond - assigned for Other	74	170
Teen Court - assigned for Other	105	36
Proof of Concept - assigned for Economic Development	500	446
Economic Development - assigned for Economic Development	1,054	894
Local Infrastructure Improvement - assigned for Economic Development	1,757	1,491
Workforce Education - assigned for Education	2,108	27
Tax Relief - unassigned	383	240
Building South Dakota - assigned for Economic Development and Education	0	21,107
Extraordinary Litigation Expense - assigned	1,184	632
Unclaimed Property - unassigned	(18)	29
Total GASB 54 combinations	78,238	77,081
Fund Balance - General Fund - excluding GASB 54 combinations	\$ 244,084	\$ 243,236

See the Notes to the Financial Statements for more information on the GASB 54 changes.

In evaluating a contract between SDRC, Inc. and GOED, relating to the EB-5 program, it was determined the SDRC Indemnification Fund One Account and the SDRC Expense Fund Account should be reported in the State's General Fund. As of June 30, 2014 the following equity balances were included within the State's General Fund (expressed in thousands):

	General Fund FY2014 Beginning Fund Balance	General Fund FY2014 Ending Fund Balance
Fund Balance - General Fund - excluding GASB 54 combinations	\$ 244,084	\$ 243,236
Less: SDRC Funds Combined with the General Fund	Beginning Balance	Ending Balance
SDRC Indemnification Fund One Account - restricted for Economic Development	\$ 990	\$ 1,271
SDRC Expense Fund Account - restricted for Economic Development	28	0
Total SDRC combinations	1,018	1,271
Fund Balance - General Fund - excluding all combinations	\$ 243,066	\$ 241,965

At the end of the fiscal year, total fund balance of the General Fund was \$320.3 million (including GASB 54 combination and the SDRC accounts) a decrease of \$2.0 million, or 0.6% from the prior year.

Specific changes in the General Fund balance include the following:

- Nonspendable ending fund balance of \$3.6 million, an increase of \$0.2 million or 6.1% from the prior fiscal year. This is due to an increase in vaccine inventories held by the Department of Health.
- Restricted ending fund balance of \$8.3 million increased by \$3.6 million or 75.4% from the prior fiscal year. \$3.3 million of this increase is attributed to securities held as unclaimed property. The number of securities held by the State as unclaimed property increased during the fiscal year; in addition the market value of the securities held also increased.
- Assigned ending fund balance of \$149.0 million increased by \$16.0 million or 12.1% from the prior fiscal year. This increase was primarily due to a \$30.0 million being set aside to prefund the Building South Dakota program, of which \$21.1 million is accounted for in the General Fund as assigned fund balance for financial reporting purposes.
- Unassigned fund balance of \$159.4 million decreased by \$21.8 million or 12.0% from the prior fiscal year.

It is important to note that some of this unassigned fund balance has other restricting factors that may limit or decrease its availability for general appropriations because it either has another purpose as intended by state law or has internally imposed limitations. Those limitations on the unassigned fund balance include; \$105.2 million is the General Fund Budget Reserve which is created by state law and only to be used to address emergency situations without having to raise taxes or cut spending; and \$0.3 million is intended for use within the statutorily created funds combined with the General Fund. Other limitations on the General Fund include:

- \$31.2 million of the unassigned fund balance represents tax revenue that was received in fiscal year 2014, recognized as revenue in the General Fund in fiscal year 2014 for financial reporting purposes, but not distributed on a cash basis to the General Fund until fiscal year 2015. This revenue will be used in fiscal year 2015 cash basis operations.
- \$34.2 million is not part of cash and cash equivalents, but rather a net effect of receivables and other assets in excess of liabilities.

As a measure of General Fund's liquidity, it may be useful to compare both the assigned and unassigned fund balances to total fund expenditures. The assigned fund balance represents 10.6% of the total General Fund operating expenditures, while the unassigned fund balance (including the Budget Reserve) represents 11.3% of that same amount.

See the Budgetary Highlights – General Fund section in this document for more discussion on General Fund.

Transportation (\$124.9 million).

The Transportation Fund is a major special revenue fund that accounts for the construction and maintenance of the State's highways and bridges, and funding public transportation. Its revenue is comprised of federal grants, state motor fuel taxes, and state motor vehicle excise taxes. All revenues of the Transportation fund are used and expended under the direction of the State's Department of Transportation. The total fund balance at the end of the current fiscal year for the Transportation Fund was \$124.9 million, a decrease of \$9.7 million or 7.2% from the prior fiscal year.

During the fiscal year, total revenue for the Transportation Fund decreased by \$10.6 million, or 1.8% from the prior year. Most of this decrease was the result of a \$14.0 million, or 3.7% decrease in administering program revenue (i.e. federal grant revenue) from the prior year. This decline in revenue was slightly offset by a \$2.6 million increase or 1.3% in state tax revenue. The declining federal grant revenue has resulted in funding more projects with State tax revenues.

As a result of the overall decline in revenues, total expenditures also decreased by \$18.1 million or 2.9% from the previous year. This change comes from: a \$33.6 million or 6.9% decrease in contractual services offset by an \$8.0 million or 36.8% increase in capital outlay, an increase of \$5.1 million or 7.4% in personal services, and a \$1.9 million or 19.3% increase in grants and subsidies.

Social Services Federal (\$1.4 million).

The Social Service Federal fund is a major special revenue fund that consists of over sixty federal grants and entitlement programs administered to provide social, financial and medical services to eligible South Dakotans with the goal of fostering independence and personal responsibility. This fund is administered by the State's Department of Social Services. Some of the major grants included in this fund are Medicaid, Low Income Heating and Energy Assistance Payments, Temporary Assistance to Needy Families, State Children's Health Insurance Program, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, Child Care & Development Fund Mandatory, Child Care & Development Block Grant, Foster Care - Title IV-E, and Child Support Enforcement.

Revenue in the fund consists of federal grants from the US Department of Health and Human Services, the US Department of Agriculture, the US Department of Energy, the US Department of Justice, and Federal pass-through grants from various state entities. The majority of the funding is expended on entitlement programs, service contracts to providers, and the administration of these programs. A majority of the State match to these federal grants is accounted for and expended out of the General Fund. The total fund balance at the end of the current fiscal year for the Social Services Federal Fund was \$1.4 million, a decrease of \$0.5 million from the prior fiscal year.

Program revenue of \$694.1 million decreased by 1.3% and expenditures of \$694.3 million also fell by 1.3% from the prior fiscal year predominantly due to the drop in the federal FMAP rate in the Medicaid program.

Dakota Cement Trust Fund (\$302.4 million).

As created in Article XIII, Sections 20 and 21 of the Constitution of the State of South Dakota, this fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings. *"Four percent of the lesser of the average market value of the trust fund determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters as of December thirty-first of that year and dividing that sum by sixteen, or the market value of the trust fund at the end of that calendar year"* shall be transferred to the General Fund in support of education. The Dakota Cement Trust Fund transferred \$10.1 million to the General Fund in fiscal year 2014 and \$9.4 million in fiscal year 2013.

The fund balance in the Dakota Cement Trust Fund at June 30, 2014 was \$302.4 million and is restricted for education. This is an increase of \$33.5 million from the previous year. The increase resulted primarily from investment income of \$44.1 million, exceeding expenditures and the required transfer to the General Fund.

Education Enhancement Trust Fund (\$487.7 million).

This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, monies from the Youth-at-Risk Fund and General Fund appropriations for scholarship purposes. The fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, *"the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature."* The Education Enhancement Trust Fund transferred \$15.7 million to the General Fund in fiscal year 2014 and \$14.4 million in fiscal year 2013.

The fund balance in the Education Enhancement Trust Fund at June 30, 2014 was \$487.7 million, an increase of \$61.1 million from the prior year. This increase resulted primarily from investment income of \$70.0 million and transfers in to the Education Enhancement Trust Fund of \$7.7 million for residual Tobacco Settlement Revenue (from the Education Enhancement Funding Corporation), exceeding the operating expenditures and the required transfer to the General Fund.

Proprietary Funds

The State's proprietary funds are presented on the accrual basis of accounting and include the State's enterprise funds and internal service funds. The following proprietary funds had significant activity or changes to net position during fiscal year 2014:

Lottery Fund (\$7.4 million).

The Lottery Fund accounts for the operations of the South Dakota State Lottery which markets instant tickets and lotto games, and regulates video lottery to raise revenue for State programs and projects. At the end of the current fiscal year, the Lottery Fund reported total net position of \$7.4 million, a decrease of \$0.5 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of \$105.5 million on total revenue of \$148.3 million, compared to the previous fiscal year's income (before transfers) of \$107.2 million on total revenue of \$151.3 million. The decrease in revenues was the result of a decrease in sales of lotto games. During fiscal year 2014, the State Lottery distributed approximately \$91.7 million to the Property Tax Reduction Fund (a subfund of the General Fund), \$6.8 million to the General Fund, \$7.5 million to the Capital Construction Fund, and \$0.2 million to the Department of Human Services.

Clean Water State Revolving Fund (\$209.5 million).

The Clean Water State Revolving Fund program provides low interest loans to governmental entities for wastewater, storm sewer, and nonpoint source pollution projects. Projects with compliance or health and safety concerns receive highest priority.

At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net position of \$209.5 million, an increase of \$15.7 million, or 8.1% in comparison to the prior fiscal year. This increase is a result of capitalization grant revenue increasing by \$12.5 million or 478.8% and operating revenue increasing by 14.1% while operating expense fell by 9.3%.

Drinking Water State Revolving Fund (\$158.8 million).

The Drinking Water State Revolving Fund program provides low interest loans for drinking water projects. Projects with compliance or health and safety concerns receive highest priority.

At the end of the current fiscal year, the Drinking Water Revolving Fund reported total net position of \$158.8 million, an increase of \$4.3 million or 2.8% in comparison with the prior year. This increase resulted primarily from stable operating revenues and a decrease of 9.6% in operating expense due to a decrease in loan principal forgiveness.

Budgetary Highlights - General Fund

The following analysis is based on the Budgetary Comparison Schedules included in the Required Supplementary Information that immediately follows the basic financial statements.

The original budget is defined as the first complete appropriated budget, adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. Any such transaction that is authorized as a legislative or executive change before the beginning of the fiscal year is included in the original budget, regardless of the effective date of the document loaded on the accounting system. The original budget also includes any actual appropriation amounts carried forward by law from prior years; including special appropriations, maintenance and repair, and carryovers. The final budget is defined as the original budget, adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes after the beginning of the fiscal year.

General Fund

The difference between the original and the final amended budget was a \$121.7 million increase in appropriations. That increase can be attributed to two separate appropriation areas comprised of emergency specials and general bill adjustments.

The general fund had \$141.2 million worth of emergency special appropriations during fiscal year 2014 that consisted of the following:

- \$56.2 million appropriation to the Bureau of Finance and Management to be transferred to the South Dakota Building Authority public building fund for the purposes of prepaying lease rental obligations.
- \$30.0 million appropriation to the Building South Dakota fund to provide support of the state government and its existing public institutions.
- \$16.3 million appropriation to the Department of Veterans' Affairs for costs related to the design, construction, land purchase and equipping of a veterans' home near Hot Springs.
- \$16.0 million appropriation to the Bureau of Finance and Management for the purpose of providing contingency funds.
- \$7.2 million appropriation to the Department of Transportation for costs related to planning, enlarging, maintaining, equipping and protecting railroads and railroad facilities.
- \$5.6 million appropriation to the South Dakota Retirement System to provide full funding of the cement plant retirement plan.
- \$2.0 million appropriation to the Board of Regents for costs related to the construction of swine teaching and research facilities at South Dakota State University.
- \$1.9 million appropriation to the Department of Agriculture for costs related to mountain pine beetle suppression.
- \$1.4 million appropriation to the Department of Public Safety for costs related to the building of a highway patrol office and motorcycle training facility.
- \$1.0 million appropriation to the South Dakota Board of Water and Natural Resources for the purpose of providing advance federal funds for the construction of the facilities included in the Lewis and Clark Rural Water System.
- \$1.0 million appropriation to the Board of Regents for costs for the expansion of the graduate education and applied research center and the University of South Dakota Research Park.
- \$0.5 million appropriation to the Department of Revenue for costs related to the tax refunds for elderly and disabled individuals.
- \$0.5 million appropriation to the Governor's Office of Economic Development for the purpose of funding the Readiness and Environmental Protection and Integration buffer program at Ellsworth Air Force Base.
- \$0.5 million appropriation to the Department of Transportation for the purposes of airport improvements.
- \$0.5 million appropriation to the Board of Regents for the purpose of funding a shale research facility at the South Dakota School of Mines and Technology.
- \$0.3 million appropriation to the Department of Education for costs related to the maintenance and repair of the postsecondary technical institutes buildings.
- \$0.2 million appropriation to the Department of Military for purchasing land adjacent to the Watertown armory.
- \$0.1 million appropriation to the Department of Health for reimbursements related to the recruitment assistance program.

The general fund had general bill adjustments that decreased the original budget by \$19.5 million during fiscal year 2014 which consisted of the following:

- \$9.6 million increase in appropriation to the Board of Regents for programs in the Regents Central Office, South Dakota Scholarships, University of South Dakota Proper, University of South Dakota School of Medicine, South Dakota State University Proper, Cooperative Extension Service, Agricultural Experiment Station, South Dakota School of Mines and Technology, Northern State University, Black Hills State University, Dakota State University, South Dakota School for the Deaf and South Dakota School for the Blind and Visually Impaired.
- \$3.9 million increase in appropriation to the Department of Corrections for programs in the Central Office Administration, Mike Durfee State Prison, State Penitentiary, Women's Prison, Inmate Services, Parole Services, Juvenile Community Corrections, Youth Challenge Center, Patrick Henry Brady Academy, State Treatment and Rehabilitation Academy and QUEST and ExCEL.
- \$2.1 million increase in appropriation to the Department of Social Services for programs in Secretary of Social Services Administration, Economic Assistance, Children Services and Behavioral Health.
- \$1.7 million increase in appropriation to the Department of Education for programs in Secretary of Education Administration, Technology in Schools, Postsecondary Vocational Education, Education Resources and State Library.
- \$1.4 million increase in appropriation to the Unified Judicial System for programs in the Unified Judicial System.
- \$0.6 million increase in appropriation to the Legislature for programs in the Legislative Operations, Nonrecurring Technology Infrastructure Upgrade and Auditor General.
- \$0.5 million increase in appropriation to the Department of Human Services for programs in the Secretary of Human Services Administration, Developmental Disabilities, South Dakota Developmental Center, Rehabilitation Services and Services to the Blind and Visually Impaired.
- \$0.3 million increase in appropriation to the Department of Game, Fish and Parks for programs in Secretary of Game, Fish and Parks Administration and State Parks and Recreation.
- \$0.2 million increase in appropriation to the Department of Executive Management for programs in Office of the Governor, Governor's Office of Economic Development, Office of Research Commerce, Bureau of Finance and Management, Central Services, Office of Hearing Examiners, South Dakota Public Broadcasting, State Radio Engineering and Personnel Management and Employee Benefits.
- \$0.2 million increase in appropriation to the Department of Agriculture for programs in Secretary of Agriculture Administration, Agricultural Services and Assistance, Agricultural Development and Promotion, Animal Industry Board and State Fair.
- \$0.2 million increase in appropriation to the Department of Health for programs in Secretary of Health Administration, Health Systems Development and Regulation and Health and Medical Services.
- \$0.2 million increase in appropriation to the Department of Environment and Natural Resources for programs in Financial and Technical Assistance and Environmental Services.
- \$0.2 million increase in appropriation to the Attorney General for programs in the Legal Services Program, Criminal Investigation and Law Enforcement Training.
- \$0.1 million increase in appropriation to the Department Revenue for programs in Property and Special Taxes.
- \$0.1 million increase in appropriation to the Department of Tourism for programs in History.
- \$0.1 million increase in appropriation to the Department of Public Safety for programs in Secretary of Public Safety Administration, Highway Patrol, Emergency Services & Homeland Security and Legal and Regulatory Services.

- \$0.1 million increase in appropriation to the Department of Military for programs in Adjutant General, Army Guard and Air Guard.
- \$0.1 million increase in appropriation to the Department of Veterans' Affairs for programs in Veterans' Benefits and Services and State Veterans' Home.
- \$35.2 million decrease in appropriation to the Department of Social Services for programs in Medical and Adult Services.
- \$5.9 million decrease in appropriation to the Department of Education for programs in State Aid to General Education.

The net effect of the emergency special appropriations and the general bill adjustments resulted in a \$121.7 million increase in appropriations. Overall, there were no over-expenditures by any State departments. The difference between the final amended budget and actual spending was \$70.1 million below final budgeted estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's capital assets are capitalized at historic cost. The State's investment in capital assets for its governmental and business-type activities as of June 30, 2014 is \$3.8 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

State of South Dakota Capital Assets - Primary Government (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Land	\$ 110,673	\$ 110,713	\$ 295	295	\$ 110,968	\$ 111,008
Land Improvements	37,982	36,398	924	924	38,906	37,322
Land Improvements - Roads	607,417	604,819			607,417	604,819
Buildings	583,202	550,953	4,008	4,008	587,210	554,961
Equipment, as restated	200,933	193,145	3,677	3,373	204,610	196,518
Intangible Assets – Software, as restated	68,961	63,684	2,860	3,038	71,821	66,722
Vehicles	145,321	137,857			145,321	137,857
Infrastructure	3,655,948	3,571,449			3,655,948	3,571,449
Construction in Progress, as restated	294,137	227,080		110	294,137	227,190
Total Capital Assets	5,704,574	5,496,098	11,764	11,748	5,716,338	5,507,846
Accumulated Depreciation, as restated	(1,905,819)	(1,823,700)	(8,114)	(7,371)	(1,913,933)	(1,831,071)
Total Capital Assets, Net	\$ 3,798,755	\$ 3,672,398	\$ 3,650	\$ 4,377	\$ 3,802,405	\$ 3,676,775

The most significant capital asset the State reported in fiscal year 2014 is infrastructure assets. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Infrastructure assets account for \$2.2 billion (net of accumulated depreciation), which is 59.2% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2013 to 2014 by approximately 3.4%. This change was primarily due to ongoing construction and completion of segments of infrastructure - highways, bridges, and railroads. The increase consisted of:

- Construction in progress for highways and bridges increased by \$147.7 million for new projects and decreased by \$86.2 million for projects completed and capitalized.
- Other construction in progress as a whole increased by \$7.8 million. This increase was the result of new construction for new and ongoing projects: the Department of Veterans Affairs (\$7.0 million, net of projects completed and capitalized), the Department of Transportation (\$2.2 million, net of projects completed and capitalized), and the Department of Public Safety (\$0.8 million, net of projects completed and capitalized). However, some agencies completed and capitalized projects which decreased construction in progress; the Bureau of Finance and Management (\$1.9 million, net of new and ongoing projects) and the Department of Corrections (\$0.3 million, net of new and ongoing projects).
- Building and building improvements increased by \$32.2 million. New buildings included the Trades Center (\$20.1 million), Huron DOT Maintenance Shop (\$1.6 million), Clear Lake DOT Maintenance Shop (\$1.3 million), the Sioux Falls DOT Maintenance Shop Addition (\$1.0 million), and the Mobridge Heated Storage Building (\$0.6 million). Building Improvements included various DOT Maintenance Shop Renovations and Additions (\$3.5 million), the Camp Rapid Building 560 Remodel (\$1.1 million), the Unit H Training Room (\$0.7 million), the STAR Water Treatment Plant (\$0.6 million), and the Harmon Hall Radiant Heating (\$0.5 million).
- Equipment assets increased by \$8.1 million. This was mainly due to the purchase of new equipment and replacing of aged equipment by: the Department of Transportation (\$5.5 million, net of disposals), the Department of Game, Fish, and Parks (\$0.8 million), the Department of Public Safety (\$0.7 million), the Department of Executive Management (\$0.5 million), the Department of Military (\$0.3 million) and the Department of Veterans' Affairs (\$0.2 million).
- Intangible assets increased by \$5.1 million, comprised of new software for the Department of Health (\$2.2 million), the Department of Executive Management (\$0.9 million), the Unified Judicial System (\$0.7 million, net of disposals) and the Department of Corrections (\$0.5 million). And a prior period adjustment for the Secretary of State for assets previously missed for capitalization (\$0.8 million).
- Land and land improvements increased by \$1.5 million which consisted primarily of land and land improvements by the Department of Military (\$0.7 million), the Department of Transportation (\$0.4 million) and the Department of Game, Fish, and Parks (\$0.4 million).
- Vehicles increased by \$7.5 million which consisted of replacing aged vehicles by the Department of Transportation (\$5.1 million, net of disposals) and the Department of Executive Management (\$2.3 million, net of disposals).

More detailed information on the State's capital assets can be found in Notes to the Financial Statements.

Debt Administration

The authority of the State to incur limited debt for specific purposes is described in Article XIII, Section 2, of the State's Constitution. The State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000. At June 30, 2014, the issuer credit rating (ICR) for the State of South Dakota from Standard and Poor's was AA+ with a stable outlook. On August 1, 2014, the ICR was upgraded to a positive outlook. The South Dakota Building Authority, a legally separate blended component unit of the State, was created and organized by Chapter 5-12 of the South Dakota Codified Laws to issue debt on behalf of the primary government.

The South Dakota Building Authority (SDBA) issues bonds, certificates of participation, and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of State departments and institutions. These obligations are payable from revenue generated through lease agreements between the SDBA and other State departments and institutions. The SDBA is a blended component unit of the State. At June 30, 2014, the uninsured rating was Aa2 from Moody's and AA with a positive outlook from Standard and Poor's. The indebtedness, bonds, or obligations incurred or created by the SDBA may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to

finance buildings of State departments and institutions are reported as part of governmental activities in the State's Basic Financial Statements, except for debt of universities, which is reported as part of the discretely presented component unit information.

The SDBA issued \$4.5 million in revenue bonds for Governmental Activities. The State incurred no new long-term general indebtedness under Business-type Activities. The South Dakota Building Authority issued \$77.3 million in revenue bonds for Higher Education (a discretely presented component unit).

As previously indicated, the State eliminated \$54.8 million of bond debt during the fiscal year. This included paying off \$37.9 million in bonds and escrowing an additional \$16.9 million for principal and interest payments for an additional bond to be paid at its call date. As a result of this action, any debt payments made from, or appropriated from the General Fund now have dedicated sources of revenue supporting that debt payment which is transferred into the General Fund. Thus, the State has no General Fund supported debt after September 1, 2014.

The Educational Enhancement Funding Corporation (EEFC) is a special purpose corporation, organized by Chapter 5-12 of the South Dakota Codified Laws. EEFC is an instrumentality of, but separate and apart from the State. Although legally separate from the State, EEFC is a blended component unit of the State and accordingly, is included in the State's financial statements. Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title, and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement. The purchase price of the State's future right, title and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after payment of all outstanding bonds and other liabilities of EEFC as set forth in the Trust Indenture. Pursuant to the resolution, EEFC is prohibited from selling additional bonds, other than refunding bonds. The bonds represent limited obligations of EEFC, payable solely from and secured solely by the pledged TSRs and the pledged amounts. The bonds are not a debt or liability of the State or of any political subdivision or agency thereof. EEFC has no taxing power. EEFC did not issue any refunding bonds in fiscal year 2014.

The South Dakota Conservancy District issues revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans or other types of financial assistance for the construction of publicly-owned wastewater treatment facilities; implementation of nonpoint source management programs; and construction and maintenance of drinking water facilities respectively. At June 30, 2014, the South Dakota Conservancy District had maintained its long-term rating of Aaa from Moody's and AAA from Standard & Poor's on all outstanding State Revolving Fund Program Bonds. The South Dakota Conservancy District bonds do not constitute a debt or liability of the State or a pledge of the faith and credit of the State.

The bonds are paid solely from CWSRF and DWSRF loan repayments. The revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's Basic Financial Statements. No new bonds were issued for the CWSRF and DWSRF programs in fiscal year 2014.

At June 30, 2014, primary government had total notes and bonded debt outstanding as follows:

State of South Dakota						
Outstanding Loans and Bonded Debt						
(Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Revenue Bonds:						
South Dakota Building Authority	\$ 32,247	\$ 37,365	\$	\$	\$ 32,247	\$ 37,365
Educational Enhancement Funding Corporation	145,056	153,931			145,056	153,931
South Dakota Conservancy District			207,447	212,523	207,447	212,523
Trust Certificates:						
South Dakota Building Authority	880	13,595			880	13,595
Capital Leases:	100,727	78,682			100,727	78,682
Total	\$ 278,910	\$ 283,573	\$ 207,447	\$ 212,523	\$ 486,357	\$ 496,096

Additional information on the State's long-term debt obligations can be found in the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

Nonfarm employment in South Dakota increased during fiscal year 2014 and continues to expand at a moderate pace. In fiscal year 2014, nonfarm employment in the state increased 0.7%, or 3,100 jobs. Although South Dakota's employment growth during the fiscal year was less than the national growth rate of 1.7%, South Dakota's fiscal year 2014 level of employment was 2.2% higher than the previous peak employment (fiscal year 2008), while the national employment level was still 0.4% below the previous peak employment (fiscal year 2008). The unemployment rate in South Dakota remained one of the lowest in the nation in fiscal year 2014. South Dakota's unemployment rate was 3.8% in June 2014, while the U.S. unemployment rate was 6.1% the same month. In calendar year 2013, the most recent annual data that is available, South Dakota's personal income grew 2.1%. The lower growth was primarily due to higher federal payroll taxes that were reinstated at the beginning of 2013. Over the past three years (2010-2013), South Dakota's personal income growth rate averaged 5.5% per year, which was the ninth highest average growth rate of all states over the same time period.

Further information on the South Dakota economy and economic outlook is included in the transmittal letter.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Bureau of Finance and Management, 500 East Capitol Avenue, Pierre, South Dakota 57501, (605) 773-3411 or visit our website at <http://bfm.sd.gov>.

The State's discretely presented component units, with the exception of Higher Education and the South Dakota Value Added Finance Authority, issue their own separately audited financial statements. These statements may be obtained by directly contacting the Department of Legislative Audit at 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501, (605) 773-3595 or visit their website at <http://legislativeaudit.sd.gov>.

BASIC FINANCIAL STATEMENTS

The *Basic Financial Statements* include the Government-Wide Financial Statements, the Governmental Funds Financial Statements, the Proprietary Funds Financial Statements, the Fiduciary Funds Financial Statements, and the accompanying Notes to the Financial Statements. The following individual statements are included:

- Government-Wide Financial Statements – Statement of Net Position
- Government-Wide Financial Statements – Statement of Activities
- Balance Sheet – Governmental Funds
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Net Position – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
- Statement of Cash Flows – Proprietary Funds
- Statement of Fiduciary Net Position – Fiduciary Funds
- Statement of Changes in Fiduciary Net Position – Fiduciary Funds
- Notes to the Financial Statements

STATE OF SOUTH DAKOTA
STATEMENT OF NET POSITION
June 30, 2014
(Expressed in Thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 915,877	\$ 204,946	\$ 1,120,823
Receivables, net	395,351	434,905	830,256
Due From Component Units	1,731	11	1,742
Due From Primary Government			0
Internal Balances	4,986	(4,986)	0
Investments	889,815	149,229	1,039,044
Inventory	23,074	2,859	25,933
Advances to Component Units	1,143	17,986	19,129
Other Assets	5,640	171	5,811
Assets Held for Resale			0
Restricted Assets:			
Cash and Cash Equivalents	1,275	27	1,302
Investments	20,168	559	20,727
Other		813	813
Capital Assets:			
Land and Other Non-depreciable Assets	726,150	295	726,445
Infrastructure, net	2,205,603		2,205,603
Property, Plant and Equipment, net	572,865	3,355	576,220
Construction in Progress	294,137		294,137
Total Assets	6,057,815	810,170	6,867,985
Deferred Outflows of Resources			
Deferred Swap Outflow			0
Deferred Forward Contract Outflow			0
Deferred Outflow on Debt Refunding	5,341	6,742	12,083
Total Deferred Outflows of Resources	5,341	6,742	12,083
Liabilities			
Accounts Payable and Other Liabilities	275,792	9,000	284,792
Due To Primary Government			0
Due To Component Units	9,739		9,739
Accrued Interest Payable	8,667	3,120	11,787
Unearned Revenue	62,412	2,496	64,908
Noncurrent Liabilities:			
Due Within One Year	66,798	13,518	80,316
Due In More Than One Year	336,786	195,721	532,507
Total Liabilities	760,194	223,855	984,049
Net Position			
Net Investment In Capital Assets	3,673,267	3,650	3,676,917
Restricted For:			
Education	310,599		310,599
Highways	114,482		114,482
Railroads	46,634		46,634
Law, Justice, Public Protection and Regulation	10,173		10,173
Agriculture and Natural Resources	81,045		81,045
Game and Fish	5,829		5,829
Parks and Recreation	2,663		2,663
Health and Public Assistance	9,868		9,868
Economic Development	76,318		76,318
Debt Service	32,917	99	33,016
Capital Projects	2,034		2,034
HOME and NSP Program			0
Energy Conservation Programs	11,522		11,522
Higher Education - Expendable			0
Higher Education - Nonexpendable			0
Funds held as Permanent Investments:			
Expendable	192,412		192,412
Nonexpendable	472,128		472,128
Interim Lab			0
Sanford Center for Science Education			0
Other Purposes	14,516	813	15,329
Unrestricted	246,555	588,495	835,050
Net Position	\$ 5,302,962	\$ 593,057	\$ 5,896,019

The notes to the financial statements are an integral part of this statement.

Component Units			
Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 122,309	\$ 29,293	\$ 207,282	\$ 4,572
965,009	1,880	122,298	26,769
7,500		2,239	
610,579		433,193	1,449
2,444	2,946	8,669	
	574	3,983	
			5,219
		81,082	17
		66,043	6,616
		12,113	
220	18,659	36,461	381
6,040	45,092	814,428	
	9,680	73,123	23,466
1,714,101	108,124	1,860,914	68,489
18,394			
216			
1,290		1,727	
19,900	0	1,727	0
12,139	1,315	54,482	5,091
37		1,705	
6,556		4,145	701
		8,847	
29,367	457	58,725	6,015
1,201,188	747	550,783	41,975
1,249,287	2,519	678,687	53,782
(185)	72,795	519,083	1,421
401,212		4,406	5,000
67,719			
		210,241	
		354,360	
15,968	9,263		
	6,577		
	11,367		
	5,603	95,864	8,286
\$ 484,714	\$ 105,605	\$ 1,183,954	\$ 14,707

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 180,221	\$ 227,851	\$ 15,933	\$
Education - Elementary, Secondary and Vocational Schools	206,939	7,687	170,586	
Education - State Support to Higher Education	219,341			
Health, Human and Social Services	1,380,648	36,597	873,364	
Law, Justice, Public Protection and Regulation	321,186	76,048	105,114	
Agriculture and Natural Resources	152,666	77,514	40,670	12
Economic Resources	40,121	3,789	11,436	
Transportation	473,323	6,979	365,538	1,504
Intergovernmental - Payments to School Districts	393,606			
Intergovernmental - Revenue Sharing	161,564			
Unallocated Interest Expense	9,198			
Unallocated Depreciation	53			
Total Governmental Activities	3,538,866	436,465	1,582,641	1,516
Business-type Activities:				
Lottery	42,806	148,323	243	
Clean Water State Revolving	9,879	6,019	19,575	
Drinking Water State Revolving	9,352	4,327	9,392	
Revolving Economic Development and Initiative	879	1,552	794	
Unemployment Insurance	31,485	46,016	2,081	
Second Injury	1,385	2,783	17	
State Fair	3,016	2,528	14	
Federal Surplus Property	4,887	5,062	8	
Rural Rehabilitation	609	459	206	
Prison Industries	2,409	2,584	33	
Health Insurance Risk Pool	6,341	4,920	1,327	
Professional and Licensing	7,567	7,927	214	
Banking and Insurance	4,134	4,665	71	
Other	3,330	3,185	19	
Total Business-type Activities	128,079	240,350	33,994	0
Total Primary Government	\$ 3,666,945	\$ 676,815	\$ 1,616,635	\$ 1,516
Component Units:				
Housing Authority	\$ 84,470	\$ 79,490	\$ 30,654	\$
Science and Technology Authority	20,539	287	16,005	2,030
Higher Education	710,477	422,680	144,993	10,601
Nonmajor	3,541	1,474	564	1,184
Total Component Units	\$ 819,027	\$ 503,931	\$ 192,216	\$ 13,815

General Revenues:

Taxes:

Sales Taxes

Motor Fuel Taxes

Contractors Excise Taxes

Bank Card and Franchise Taxes

Other Taxes

Investment Earnings

State Support to Higher Education

Gain on Sale of Capital Assets

Miscellaneous

Additions to Endowments

Special Items - OPEB elimination

Transfers

Total General Revenues, Additions to Endowments,

Special Items and Transfers

Changes in Net Position

Net Position - Beginning, as restated

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Position

Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 63,563	\$	\$ 63,563				
(28,666)		(28,666)				
(219,341)		(219,341)				
(470,687)		(470,687)				
(140,024)		(140,024)				
(34,470)		(34,470)				
(24,896)		(24,896)				
(99,302)		(99,302)				
(393,606)		(393,606)				
(161,564)		(161,564)				
(9,198)		(9,198)				
(53)		(53)				
(1,518,244)	0	(1,518,244)				
	105,760	105,760				
	15,715	15,715				
	4,367	4,367				
	1,467	1,467				
	16,612	16,612				
	1,415	1,415				
	(474)	(474)				
	183	183				
	56	56				
	208	208				
	(94)	(94)				
	574	574				
	602	602				
	(126)	(126)				
0	146,265	146,265				
(1,518,244)	146,265	(1,371,979)				
			\$ 25,674	\$	\$	\$
				(2,217)		
					(132,203)	
						(319)
			25,674	(2,217)	(132,203)	(319)
858,001		858,001				
136,395		136,395				
93,746		93,746				
23,943		23,943				
311,397		311,397				
142,003		142,003		510	47,963	55
		0			219,341	
2,726		2,726				
133,988		133,988				
		0			16,160	
17,619		17,619			9,911	
102,937	(102,937)	0				
1,822,755	(102,937)	1,719,818	0	510	293,375	55
304,511	43,328	347,839	25,674	(1,707)	161,172	(264)
4,998,451	549,729	5,548,180	459,040	107,312	1,022,782	14,971
\$ 5,302,962	\$ 593,057	\$ 5,896,019	\$ 484,714	\$ 105,605	\$ 1,183,954	\$ 14,707

STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total
Assets							
Cash and Cash Equivalents	\$ 281,201	\$ 99,510	\$	\$ 33,175	\$ 66,776	\$ 359,131	\$ 839,793
Restricted Cash	1,271					4	1,275
Investments	9,359			268,812	436,458	175,186	889,815
Restricted Investments						20,168	20,168
Receivables From:							
Taxes, net	113,608	12,088				3,133	128,829
Interest and Dividends	1,466	258	2	800	1,632	1,531	5,689
Other Funds	43,888	2,150	140			4,179	50,357
Component Units	771	21				89	881
Other Governments	1,071	44,042	33,397			81,092	159,602
Loans and Notes, net		433				64,593	65,026
Other, net	8,182	101	8,261	446	370	17,498	34,858
Inventory	2,492	16,953	144			2,159	21,748
Advances to Component Units						1,143	1,143
Other Assets	1,137	334	67			1,442	2,980
Total Assets	\$ 464,446	\$ 175,890	\$ 42,011	\$ 303,233	\$ 505,236	\$ 731,348	\$ 2,222,164
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts Payable and Other Liabilities	\$ 79,702	\$ 43,910	\$ 37,311	\$ 871	\$ 1,881	\$ 36,885	\$ 200,560
Payable To:							
Other Funds	5,182	1,199	2,860		15,700	26,444	51,385
Component Units	7,674	75	164			1,768	9,681
Other Governments	13,131	3,557	130			62,351	79,169
Claims, Judgments and Compensated Absences	61	22	8			63	154
Unearned Revenue	32,644	2,224	167			16,798	51,833
Total Liabilities	138,394	50,987	40,640	871	17,581	144,309	392,782
Deferred Inflows of Resources:							
Unavailable Revenue	5,735					15,128	20,863
Total Deferred Inflows of Resources	5,735	0	0	0	0	15,128	20,863
Fund Balances:							
Nonspendable	3,629	17,287	211		341,732	133,997	496,856
Restricted	8,264	107,616		302,362	145,923	363,009	927,174
Committed						46,766	46,766
Assigned	149,021		1,160			33,179	183,360
Unassigned	159,403					(5,040)	154,363
Total Fund Balances	320,317	124,903	1,371	302,362	487,655	571,911	1,808,519
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 464,446	\$ 175,890	\$ 42,011	\$ 303,233	\$ 505,236	\$ 731,348	\$ 2,222,164

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014
(Expressed in Thousands)

Total Fund Balances - Governmental Funds **\$ 1,808,519**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. These assets consist of:

Land and Construction in Progress	\$	1,019,469	
Infrastructure		3,655,948	
Other Capital Assets		928,387	
Accumulated Depreciation		<u>(1,836,206)</u>	
Total Capital Assets			3,767,598

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred inflows of resources in the funds.

20,863

Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

40,555

Deferred outflows of resources for the amount on refunding of bonded debt are not reported in the funds

5,341

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities are:

Bonds and Notes	(178,180)		
Accrued Interest on Bonds	(8,667)		
Capital Leases	(87,644)		
Compensated Absences	(50,595)		
Pollution Remediation	<u>(14,828)</u>		
Total Long-Term Liabilities			<u>(339,914)</u>

Net Position of Governmental Activities **\$ 5,302,962**

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total
Revenue:							
Taxes	\$ 1,107,011	\$ 208,521	\$	\$	\$	\$ 107,504	\$ 1,423,036
Licenses, Permits and Fees	10,097	5,049				252,482	267,628
Fines, Forfeits and Penalties	358					10,423	10,781
Use of Money and Property	8,254	1,387	8	44,124	70,015	33,845	157,633
Sales and Services	17,706	450				21,556	39,712
Administering Programs	25	365,032	689,219			512,751	1,567,027
Tobacco Settlement						26,561	26,561
Other Revenue	107,641	1,141	4,840			15,525	129,147
Total Revenue	1,251,092	581,580	694,067	44,124	70,015	980,647	3,621,525
Expenditures:							
Current:							
General Government	48,635			542	979	37,253	87,409
Education	24,250					197,152	221,402
Education - Payments to School Districts	395,151						395,151
Education - State Support to Higher Education	219,341						219,341
Health, Human and Social Services	484,262		694,261			209,298	1,387,821
Law, Justice, Public Protection and Regulation	147,203	17,897				154,980	320,080
Agriculture and Natural Resources	15,638					132,958	148,596
Economic Resources	24,415					15,647	40,062
Transportation		579,280				3,659	582,939
State Shared Revenue Paid to							
Other Governments	38,047					123,517	161,564
Capital Outlay						2,541	2,541
Debt Service:							
Principal						20,973	20,973
Interest						10,206	10,206
Bond Issuance Costs						83	83
Payment to Refunded Bond Escrow Agent	16,924						16,924
Total Expenditures	1,413,866	597,177	694,261	542	979	908,267	3,615,092
Excess of Revenues Over (Under) Expenditures	(162,774)	(15,597)	(194)	43,582	69,036	72,380	6,433
Other Financing Sources (Uses):							
Capital Leases						20,350	20,350
Insurance Proceeds						24	24
Bonds Issued						4,500	4,500
Proceeds from Sale of Capital Assets	66	3,561				832	4,459
Transfers In	199,734	6,472			7,720	48,246	262,172
Transfers Out	(39,031)	(4,089)	(276)	(10,063)	(15,700)	(98,707)	(167,866)
Net Other Financing Sources (Uses)	160,769	5,944	(276)	(10,063)	(7,980)	(24,755)	123,639
Net Change in Fund Balances	(2,005)	(9,653)	(470)	33,519	61,056	47,625	130,072
Fund Balances at Beginning of Year, as restated	322,322	134,556	1,841	268,843	426,599	524,286	1,678,447
Fund Balances at End of Year	\$ 320,317	\$ 124,903	\$ 1,371	\$ 302,362	\$ 487,655	\$ 571,911	\$ 1,808,519

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds **\$ 130,072**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital Outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over the useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$	223,857	
Depreciation Expense		(98,222)	
Excess of Capital Outlay Over Depreciation Expense			125,635

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins, is to decrease net position. (3,799)

Capital leases entered into during the fiscal year are reported as other financing sources in the governmental funds. However, it is not reported in the Statement of Activities as it is shown as an increase in long-term liabilities in the Statement of Net Position. (20,350)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond Principal Retirement	36,313		
Capital Lease Payments		1,567	
Total Long-Term Debt Repayment			37,880

Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue (expense) of certain activities of internal service funds is reported in governmental activities. 24,336

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available. (1,578)

The issuance of bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recognized in future periods in the Statement of Activities.

Bonds Issued	(4,500)		
Bond Refunding Costs		17	
			(4,483)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net (Increase) Decrease in Accrued Interest	2,907		
(Increase) Decrease in Compensated Absences		(2,196)	
(Increase) Decrease in Pollution Remediation		(1,532)	
Total Additional Expenditures			(821)

Special Item - Elimination of OPEB Liability 17,619

Change in Net Position of Governmental Activities **\$ 304,511**

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014
(Expressed in Thousands)

Assets	Business-type Activities - Enterprise Funds					Governmental Activities
	Lottery	Major Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Current Assets:						
Cash and Cash Equivalents	\$ 8,609	\$ 11,033	\$ 10,249	\$ 175,055	\$ 204,946	\$ 76,084
Receivables:						
Interest and Dividends	48	3,092	1,975	441	5,556	151
Other Funds				798	798	7,936
Component Units				11	11	850
Other Governments		458	433	327	1,218	142
Loans and Notes, net		22,102	10,042	17,140	49,284	
Other, net	4,844			2,000	6,844	815
Investments		2,801	576		3,377	
Inventory				2,859	2,859	673
Advances to Component Units		407			407	
Other Assets				171	171	2,660
Total Current Assets	13,501	39,893	23,275	198,802	275,471	89,311
Due from Other Funds				1,000	1,000	
Restricted Assets:						
Restricted Cash	24	3			27	
Restricted Investments	463	96			559	
Other	813				813	
Investments		84,288	61,564		145,852	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant and Equipment	4,271			7,198	11,469	99,953
Accumulated Depreciation	(2,485)			(5,629)	(8,114)	(69,614)
Construction in Progress					0	818
Total Capital Assets	1,786	0	0	1,864	3,650	31,157
Advances to Component Units		17,579			17,579	
Other Noncurrent Assets		210,939	135,706	25,335	371,980	
Total Assets	16,587	352,798	220,545	227,001	816,931	120,468
Deferred Outflows of Resources						
Deferred Amount from Refunding of Bonds		3,965	2,777		6,742	
Total Deferred Outflows of Resources	0	3,965	2,777	0	6,742	0
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,109	511	309	5,773	8,702	5,439
Payable To:						
Other Funds	6,421	1	1	349	6,772	1,786
Component Units					0	58
Escrow Payable	65				65	
Bonds, Notes and Leases Payable		8,128	4,587		12,715	2,924
Claims, Judgments and Compensated Absences	168	39	27	791	1,025	22,031
Accrued Interest Payable		2,226	894		3,120	
Unearned Revenue	287			2,209	2,496	9,926
Total Current Liabilities	9,050	10,905	5,818	9,122	34,895	42,164
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		136,039	58,693		194,732	10,160
Claims, Judgments and Compensated Absences	150	34	24	492	700	27,536
Other Noncurrent Liabilities		275	14		289	53
Total Noncurrent Liabilities	150	136,348	58,731	492	195,721	37,749
Total Liabilities	9,200	147,253	64,549	9,614	230,616	79,913
Net Position						
Net Investment in Capital Assets	1,786			1,864	3,650	18,073
Restricted For:						
Debt Service		99			99	
Other	813				813	
Unrestricted	4,788	209,411	158,773	215,523	588,495	22,482
Total Net Position	\$ 7,387	\$ 209,510	\$ 158,773	\$ 217,387	\$ 593,057	\$ 40,555

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major					Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,551	\$	\$	\$ 13,200	\$ 14,751	\$ 9
Use of Money and Property		4,687	3,418	1,917	10,022	
Sales and Services	146,722	1,332	909	15,580	164,543	242,330
Administering Programs				69	69	
Assessments				48,799	48,799	
Other Revenue				1,911	1,911	1,308
Total Operating Revenue	148,273	6,019	4,327	81,476	240,095	243,647
Operating Expenses:						
Personal Services and Benefits	1,806	296	253	9,908	12,263	36,122
Travel	135	13	9	927	1,084	708
Contractual Services	8,054	362	607	9,160	18,183	45,995
Supplies and Materials	703	2	2	6,154	6,861	16,929
Grant and Other	65	4,002	6,159	654	10,880	3
Interest		5,187	2,307		7,494	278
Depreciation/Amortization	784			141	925	5,673
Lottery Prizes	31,246				31,246	
Insurance Claims				38,741	38,741	115,872
Total Operating Expenses	42,793	9,862	9,337	65,685	127,677	221,580
Operating Income (Loss)	105,480	(3,843)	(5,010)	15,791	112,418	22,067
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets					0	519
Loss on Disposal of Assets				(12)	(12)	(43)
Interest Income	243	4,005	3,163	3,349	10,760	763
Other Expense	(13)	(17)	(15)	(345)	(390)	(41)
Capital Contribution					0	38
Grant and Other Income	50	15,570	6,229	1,640	23,489	
Total Nonoperating Revenue (Expenses)	280	19,558	9,377	4,632	33,847	1,236
Income (Loss) Before Transfers	105,760	15,715	4,367	20,423	146,265	23,303
Transfers:						
Transfers In				6,266	6,266	1,378
Transfers Out	(106,221)	(32)	(27)	(2,923)	(109,203)	(345)
Net Transfers In (Out)	(106,221)	(32)	(27)	3,343	(102,937)	1,033
Change in Net Position	(461)	15,683	4,340	23,766	43,328	24,336
Net Position at Beginning of Year, as restated	7,848	193,827	154,433	193,621	549,729	16,219
Net Position at End of Year	\$ 7,387	\$ 209,510	\$ 158,773	\$ 217,387	\$ 593,057	\$ 40,555

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major					Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 147,820	\$ 1,207	\$ 914	\$ 75,703	\$ 225,644	\$ 95,556
Receipts from Interfund Services Provided				4,476	4,476	148,626
Receipts from Federal Agencies				277	277	
Receipts from Loan Payments		22,426	14,111	10,925	47,462	
Payments to Suppliers and for Benefits and Claims	(8,303)	(1,217)	(721)	(53,606)	(63,847)	(171,784)
Payments for Employee Services	(1,814)	(294)	(245)	(9,822)	(12,175)	(35,915)
Payments for Interfund Services Used	(733)			(2,203)	(2,936)	(7,596)
Payments for Lottery Prizes	(31,568)				(31,568)	
Payments for Principal Forgiveness		(2,468)	(5,493)		(7,961)	
Payments for Loans Originated		(52,418)	(7,686)	(9,924)	(70,028)	
Other Receipts (Payments)	(42)	(1,087)	(539)	193	(1,475)	260
Net Cash Provided (Used) by Operating Activities	105,360	(33,851)	341	16,019	87,869	29,147
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets	(22)			(177)	(199)	(5,250)
Sales of Capital Assets						932
Payments on Capital Lease Obligations						(2,698)
Net Cash Provided (Used) by Capital and Related Financing Activities	(22)	0	0	(177)	(199)	(7,016)
Cash Flows From Noncapital Financing Activities:						
Transfers In				4,551	4,551	1,378
Transfers Out	(106,566)	(32)	(27)	(2,998)	(109,623)	(345)
Received (Paid) on Interfund Borrowing				(2)	(2)	
Principal Payments on Bonds and Notes		(7,415)	(4,380)		(11,795)	
Interest Payments on Bonds and Notes		(5,427)	(2,197)		(7,624)	
Receipts for Administering Program		15,178	6,000		21,178	
Other Noncapital Financing Activities		425	207	1,339	1,971	
Net Cash Provided (Used) by Noncapital Financing Activities	(106,566)	2,729	(397)	2,890	(101,344)	1,033
Cash Flows From Investing Activities:						
Investment Income	240	3,874	3,049	3,318	10,481	727
Investment Expense	(13)	(13)	(33)	(76)	(135)	(41)
Purchase of Investment Securities		(35,938)	(19,440)		(55,378)	
Proceeds from the Sale and Maturity of Investments		19,084	10,811		29,895	
Net Cash Provided (Used) by Investing Activities	227	(12,993)	(5,613)	3,242	(15,137)	686
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(1,001)	(44,115)	(5,669)	21,974	(28,811)	23,850
Cash and Cash Equivalents at Beginning of Year	9,634	55,151	15,918	153,081	233,784	52,234
Cash and Cash Equivalents at End of Year	\$ 8,633	\$ 11,036	\$ 10,249	\$ 175,055	\$ 204,973	\$ 76,084

Continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major			Nonmajor	Total	Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving			
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 105,480	\$ (3,843)	\$ (5,010)	\$ 15,791	\$ 112,418	\$ 22,067
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	784			141	925	5,675
Interest Expense		5,187	2,307		7,494	273
Miscellaneous Nonoperating Items	49				49	(1)
Decrease/(Increase) in Assets:						
Accounts Receivable	(441)			(165)	(606)	43
Interest, Dividends & Penalties Receivable		(608)	7	(48)	(649)	
Loans and Notes Receivable		(34,072)	3,000	(514)	(31,586)	
Due From Other Funds				(47)	(47)	(445)
Due From Component Units				6	6	38
Due From Other Governments		(125)	5	281	161	22
Inventory				(189)	(189)	(31)
Other Assets				294	294	(120)
Other Restricted Assets	14			21	35	
Increase/(Decrease) in Liabilities:						
Accounts Payable	(557)	(84)	(21)	901	239	1,341
Accrued Liabilities	(8)	4	4	10	10	270
Compensated Absences Payable		(2)	5	71	74	250
Due To Other Funds	30			11	41	198
Due To Component Units				3	3	(3)
Due To Other Governments	18	(308)	44	(1)	(247)	13
Unearned Revenue	1			48	49	1,057
Escrow Payable	(3)				(3)	
Policy Claim Liabilities				(597)	(597)	(1,500)
Other Liabilities	(7)			2	(5)	
Net Cash Provided (Used) by Operating Activities	\$ 105,360	\$ (33,851)	\$ 341	\$ 16,019	\$ 87,869	\$ 29,147
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$	\$	\$	\$ 475
Capital Lease Obligations Entered Into				12	12	5,684
Transfers In (Out) of Fixed Assets						38

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014
(Expressed in Thousands)

	South Dakota Retirement System Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
Assets			
Cash and Cash Equivalents	\$ 2,598	\$ 30,898	\$ 35,142
Receivables:			
Employer	2,133		
Employee	2,271		
Benefits	43		
Unsettled Investment Sales	10,647		
Taxes Receivable			40,169
Due From Other Funds		114	
Due From Other Governments			799
Investment Income	18,851	557	31
Other		321	845
Total Receivables	33,945	992	41,844
Investments, at Fair Value:			
Fixed Income	2,081,961		
Equities	6,041,408		
Real Estate	1,518,521		
Private Equity	960,155		
Pooled Investment Funds		182,976	
Total Investments	10,602,045	182,976	0
Properties, at Cost	28	14,015	
Accumulated Depreciation	(14)		
Computer Software Development in Progress	315		
Other Assets	24	13	
Total Assets	10,638,941	228,894	\$ 76,986
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,011	753	\$ 11,269
Refunds - Contractors Excise Tax			78
Due To Other Funds	77	185	
Due To Other Governments			65,639
Compensated Absences Payable	267		
Due to Brokers - Futures Transactions	23		
Unsettled Investment Purchases	29,009		
Total Liabilities	31,387	938	\$ 76,986
Net Position			
Restricted for Pension Benefits	10,607,554		
Restricted for Individuals and Other Governments		227,956	
Total Net Position	\$ 10,607,554	\$ 227,956	

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	South Dakota Retirement System Pension Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employee	\$ 106,175	\$
Employer	104,953	
From Clients and Inmates		9,226
Other		7,725
Total Contributions	211,128	16,951
Investment Income:		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	1,491,542	24,905
Interest	59,074	
Dividends	141,733	
Real Estate	43,818	309
Securities Lending, Net	1,046	13
Pooled Interest and Dividends		4,143
Total Investment Activity Income	1,737,213	29,370
Less Investment Activity Expenses	(33,972)	
Net Investment Income (Loss)	1,703,241	29,370
Escheated Property		17
Miscellaneous Income		950
Transfers From Other Funds	7,598	
Total Additions	1,921,967	47,288
Deductions		
Benefits	425,824	
Refunds of Contributions	24,667	
Distribution to School Districts		8,774
Payments made for Trust Purposes		9,808
Administrative Expenses	3,857	4
Total Deductions	454,348	18,586
Change in Net Position	1,467,619	28,702
Net Position at Beginning of Year	9,139,935	199,254
Net Position at End of Year	\$ 10,607,554	\$ 227,956

The notes to the financial statements are an integral part of this statement.



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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Reporting Entity

For financial reporting purposes, the State of South Dakota (the State) reporting entity includes the primary government and its component units. The primary government consists of state departments, bureaus, boards and commissions. Component units are legally separate governmental organizations for which the State is considered to be financially accountable and other organizations for which the nature of their relationship is such that exclusion would cause the State's financial statements to be misleading or incomplete.

Blended Component Units

Blended component units are legally separate entities that are, in substance, part of the State's primary government. A component unit is blended if: (1) services are provided, or almost entirely provided, to primary government or otherwise exclusively, or almost exclusively, benefits primary government; (2) the governing body is substantively the same as the governing board of the primary government; (3) the component unit's total debt outstanding is expected to be repaid entirely, or almost entirely, by primary government.

The State's blended component units are South Dakota Building Authority, South Dakota Conservancy District, and Education Enhancement Funding Corporation.

The South Dakota Building Authority (SDBA) was created and organized by Chapter 5-12 of the South Dakota Codified Laws. The purpose of the SDBA is to build and otherwise provide certain facilities for use by the State. Amounts issued by the SDBA shall not be deemed to constitute a debt of the State of South Dakota or any political subdivision thereof. The SDBA is authorized to issue revenue bonds, notes or other obligations on behalf of state institutions for the purpose of the constructing, equipping and improving of facilities or the refinancing of outstanding debt. The seven members are appointed by the Governor, with the advice and consent of the Senate. No person shall be appointed to the SDBA who is an elected official of the State of South Dakota or any subdivision thereof. One of the members shall be designated by the Governor as chairman. The indebtedness or obligations incurred or created by the SDBA may not be or become a lien, charge, or liability against the State of South Dakota. Because the State of South Dakota is able to impose its will over the SDBA and the services provided by the SDBA are almost entirely provided to the State of South Dakota it is considered a blended component unit. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Conservancy District (SDCD) was created by the Legislature under Chapter 46A-2 of the South Dakota Codified Law as a body politic and corporate for the purpose of constructing water resource facilities for the conservation, storage, distribution, and utilization of water for multiple purposes within the State of South Dakota. The SDCCD has two funds, the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund. The Clean Water State Revolving Fund is a low interest loan program to finance the construction of wastewater facilities, storm sewers and non-point source pollution control projects. The Drinking Water State Revolving Fund is a low interest loan program to finance drinking water projects. The SDCCD bonds do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. Because the State of South Dakota is able to impose its will over the SDCCD and the governing body is substantively the same as the governing body of the primary government, it is considered a blended component unit and will be included in primary government. This financial presentation does not change the legal liability of the indebtedness.

The Education Enhancement Funding Corporation (EEFC) is a special purpose corporation, organized under Chapter 5-12 of the South Dakota Codified Law. The EEFC was established to purchase all of the State of South Dakota's future right, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement. The purchase price of the State's future right, title and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after payment of all outstanding bonds and other liabilities of the EEFC as set forth in the Trust Indenture. Obligations issued by the EEFC shall not be deemed to constitute a debt or liability or obligation of the State. Because there is a financial benefit/burden relationship between the Corporation and the State of South Dakota and the services provided by the EEFC are entirely provided to the State of South Dakota it is considered a blended component unit. This financial presentation does not change the legal liability of the indebtedness.

Discretely Presented Component Units

Discretely presented component units are legally separate organizations that are either financially accountable to the State, or their exclusion would cause the State's financial statements to be misleading or incomplete. Discretely presented component units are reported in separate columns or rows in the Government-wide Financial Statements to emphasize that they are legally separate from the State.

The State's major discretely presented component units are South Dakota Housing Development Authority, South Dakota Science and Technology Authority, and Higher Education.

The South Dakota Housing Development Authority (SDHDA) was created by the Legislature under Chapter 11-11 of the South Dakota Codified Law for the purpose of encouraging the investment of private capital and stimulating the construction and rehabilitation of residential housing for the people of the State of South Dakota. The SDHDA issues negotiable notes and bonds in amounts authorized by the Governor of South Dakota. Notes and bonds of the SDHDA do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. These notes and bonds are payable solely from the revenues or assets of the SDHDA. Because the State of South Dakota is able to impose its will over the SDHDA, but does not meet any of GASB's criteria for blending, it is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Science and Technology Authority (SDSTA) was created by the Legislature under Chapter 1-16H of the South Dakota Codified Law to foster and facilitate science and technology investigation, experimentation, and development. The initial focus of the SDSTA was to support the transfer of the Homestake Gold Mine in Lead, South Dakota for development by the research community to become the world's premier underground Science and Engineering Laboratory. Past history has established a pattern of the State of South Dakota assuming the obligation to finance the organization which creates a financial benefit/burden relationship. This relationship does not meet any of GASB's criteria for blending; therefore it is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Board of Regents (SDBOR) was created under Article XIV of the Constitution of the State of South Dakota. Chapter 13-49 of the South Dakota Codified Law establishes the authority for SDBOR to govern the system of public higher education in the State of South Dakota. The system's primary goal is to provide high quality, diverse educational opportunities and services to the people of South Dakota through the effective use of the resources entrusted to it. Because the State of South Dakota is able to impose its will over SDBOR and a financial benefit/burden relationship exists, but does not meet any of GASB's criteria for blending, it is considered a discretely presented component unit of the State. (Affiliated organizations of Higher Education were excluded from the amounts reported in the notes to the financial statements.)

The State's nonmajor discretely presented component units are South Dakota Value Added Finance Authority, South Dakota Economic Development Finance Authority and South Dakota Ellsworth Development Authority.

The South Dakota Value Added Finance Authority (SDVAFA) was created by the Legislature under Chapter 1-16E of the South Dakota Codified Law for the purpose of administering the beginning farmer bond and agribusiness bonding programs and make annual recommendations to the Legislature and Governor on programs to develop and promote agricultural processing activity in the State of South Dakota. The principal and interest on the bonds do not constitute an indebtedness of the State of South Dakota. Because the State of South Dakota is able to impose its will over the SDVAFA, but does not meet any of GASB's criteria for blending, it is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Economic Development Finance Authority (SDEDFA) was created by the Legislature under Chapter 01-16B of the South Dakota Codified Law for the purpose of making loans to businesses to spawn economic growth. Obligations issued by the SDEDFA shall not be deemed to constitute a debt or liability or obligation of the State. Because the State of South Dakota is able to impose its will over the SDEDFA, but does not meet any of GASB's criteria for blending, it is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Ellsworth Development Authority (SDEDA) was established by the Legislature under Chapter 01-16J of the South Dakota Codified Law for the purpose of protecting and promoting the economic impact of Ellsworth Air Force Base and associated industry. Payments of the principal of, or interest on, and bonds, notes, instruments, or obligations issued by the SDEDA shall not be deemed to constitute a debt or liability or obligation of the State. Because the State of South Dakota is able to impose its will over the SDEDA but does not meet any of GASB's criteria for blending, it is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

Related Organizations

The **South Dakota Health and Educational Facilities Authority (SDHEFA)** is excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. SDHEFA is a body politic and corporate and public instrumentality of the State of South Dakota. The Authority was created in 1972 to enhance the health and education of citizens of the State of South Dakota by providing healthcare, educational and other non-profit institutions access to low cost capital.

Separately issued financial statements of the South Dakota Building Authority, South Dakota Economic Development Finance Authority, South Dakota Housing Development Authority, Science and Technology Authority and South Dakota Ellsworth Development Authority are available from the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, by calling (605) 773-3595, or online at http://legislativeaudit.sd.gov/Reports/State/state_reports_all.htm

C. Government-Wide and Fund Financial Statements

The Government-wide Financial Statements include the Statement of Net Position and Statement of Activities. The Statement of Net Position and Statement of Activities report all nonfiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities are generally supported by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The focus of the Government-wide Financial Statements and Notes to the Financial Statements is the primary government. A separate column is presented for each major discretely presented component unit and a column for all nonmajor discretely presented component units in the aggregate.

The Statement of Net Position presents the reporting entity's nonfiduciary assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function; and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the Fund Financial Statements, with nonmajor funds being combined into a single column.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the State receives value without directly giving equal value in exchange, include taxes, grants, and donations. Tax revenue is recognized in the fiscal year in which the related sales, income, or activity being taxed occurred. At June 30, 2014, there was \$30,448,878 of bank tax receipts that was not recognizable in the State's financial statements because a reasonable estimate was unable to be determined for how much is considered measurable. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. Sales tax, motor fuel taxes, grant revenue, investment income, and charges for goods and services are all considered to be susceptible to accrual, if collected within 60 days of the end of the current fiscal year. Bank taxes are considered measurable when returns are filed not when payments are received. All other revenue is considered to be measurable and available only when cash is received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, capital leases, and claims and judgments are recorded only when payment is due and payable.

Proprietary, Fiduciary, and Similar Component Units Financial Statements

The financial statements of the proprietary funds, fiduciary funds, and similar component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-wide Financial Statements described above. Proprietary funds include both enterprise and internal service fund types.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as subsidies and investment earnings are reported as nonoperating.

Financial Statement Presentation

The State reports the following major governmental funds:

The General Fund is the State's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

The Transportation Fund accounts for dedicated state tax revenue for the construction, maintenance, and supervision of state highways and bridges and federal grants received by the Department of Transportation.

The Social Services Fund accounts for federal grants received by the Department of Social Services to fund social welfare programs.

The Dakota Cement Trust Fund was created with the proceeds from the sale of the State Cement Plant which is invested by The South Dakota Investment Council. Transfers from this fund are made to the General Fund for the support of education in South Dakota.

The Education Enhancement Trust Fund primarily accounts for revenue from the tobacco settlement and securitization of future tobacco revenue. Income from the fund is used to fund education enhancement programs.

The State reports the following major proprietary funds:

The Clean Water State Revolving Fund is used to provide loans to local governments for wastewater, storm sewer, and nonpoint source pollution control projects.

The Drinking Water State Revolving Fund is used to provide loans to local governments for drinking water projects.

The Lottery Fund accounts for the operations of the State Lottery.

In addition, the State reports the following fund types:

Governmental Funds:

Special Revenue Funds account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes. Special revenue funds account for federal grant programs, taxes with distributions defined by the State Constitution or State laws and other resources restricted or committed as to purpose.

Debt Service Funds account for the accumulation of resources for the retirement of long-term debt principal and interest.

The Capital Projects Fund administered by the South Dakota Building Authority accounts for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary and fiduciary funds, or component units.

The Permanent Fund administered by the Department of School and Public Lands accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Proprietary Funds:

Enterprise Funds report activities for which a fee is charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

Internal Service Funds report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. These goods and services include information services, telecommunications, insurance risk pools, and fleet and travel management. In the Government-wide Financial Statements, internal service funds activity is included in governmental activities.

Fiduciary Funds:

Pension Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plan.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. The Common School Fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support local school districts.

Agency Funds report assets and liabilities of resources held for temporary investment and remittance of the resources to individuals, private organizations, or other governments. Examples of funds in this category include local government tax collections by the Department of Revenue, child support payments collected by the Department of Social Services and employee payroll withholdings by the State Auditor.

E. Budgetary Accounting

Agencies and departments submit budget requests to the Bureau of Finance and Management. The commissioner approves the Bureau's budget recommendation that is presented to the Governor for his consideration. The Governor's decisions are presented to the legislature in the Governor's budget book.

The financial plan for each fiscal year is adopted by the legislature by the passage of a general appropriations act, special appropriations acts, and deferred maintenance appropriations. The formal budget approved by the legislature does not include budgeting for revenues and other financing sources/uses.

The general appropriations act includes only appropriations for ordinary current and capital expenses of the executive, legislative, and judicial branches of the State. State law classifies appropriations into general, federal, and other fund budget classifications. The budget is controlled at the program level for personal services and operating expenses. Detailed appropriation information at this level is presented in the Available Funds Report that is available from the Bureau of Finance and Management.

The State's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances at June 30, 2014 totaled \$30,446,877. The encumbrance amount is broken down by Major Fund and Nonmajor Fund below:

Fund	Amount Encumbered
Major Fund:	
General Fund	\$ 5,888,757
Transportation	6,922,697
Non-Major:	
Non-Major Total	17,635,423
TOTAL	\$ 30,446,877

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents and Investments

Cash includes cash on hand, cash in local banks, and cash in the State Treasury. Cash equivalents are valued at cost plus accrued interest. Cash equivalents include short-term investments with original maturities of three months or less. Cash and cash equivalents reported in the Statement of Cash Flows represent all investments with an original maturity of three months or less. Cash balances of most state funds are pooled and invested by the State Investment Officer. Investment income is allocated to participating funds per South Dakota law. Participating funds are determined by the Bureau of Finance and Management and approved by the Joint Interim Appropriations Committee of the Legislature.

Investments, as reported on the balance sheet, represent all long-term investments not considered cash equivalents. Investments include corporate stocks, bonds, convertible debt, U.S. government and agency securities, repurchase agreements, annuity contracts, investment contracts, international securities, private equity and real estate. Investments are reported at fair value.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values for the fixed income securities are obtained from Bloomberg Financial Markets, Bank of America Merrill Lynch, and Citigroup Global Markets. Domestic and Canadian equity security fair values are obtained from FT Interactive Data, non-Canadian foreign equity security fair values are obtained from Exshare, and spot foreign currency exchange rates are obtained from Reuters. Investments denominated in foreign currencies and foreign currency cash balances are translated into U.S. dollars using the year-end spot foreign currency exchange rates. Fair values of foreign currency forward contracts are obtained from Bloomberg Financial Markets. Fair values of limited partnership investments are based on valuations on the underlying companies of the limited partnerships as reported by the general partner.

For alternative investments where no readily available market value exists, management, in consultation with their investment managers, values these investments in good faith based upon audited financial statements or other information provided by the underlying investment managers.

Futures contracts are utilized to adjust the portfolio asset mix. The fair value of the equity securities futures position is determined using Standard & Poor's contract data. The fair value of the fixed income futures position is determined by using the U.S. Treasury note and bond contracts information and the Citigroup Broad Investment Grade Index. Changes in the fair value of these futures contracts are recognized as gains or losses in the period of change.

Receivables

Receivables in the governmental and business-type activities consist mainly of amounts due from component units, other governments, loans and customers.

Inventories

Inventories reported in the governmental fund types are reported at cost using the weighted average cost method. Proprietary fund type inventories are valued at the lower of cost or market, using the moving average cost method. Inventories reported in the Higher Education component unit discrete presentation are reported at cost using the FIFO method. Inventories are expensed using the consumption method.

Federal commodities on hand are reported as inventories, offset by unearned revenue. Commodities are reported at fair value established by the federal government at the date received. At June 30, 2014, the commodities inventory was reported in the amount of \$652,600.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are capitalized at cost, or estimated historical cost, if original cost records are not available. Donated property, plant, and equipment are valued at fair market value at the date of donation. Property, plant, and equipment acquired through capital leases are capitalized at fair market value at the inception of the lease.

All land is capitalized regardless of cost. Land improvements are capitalized when the cost of the improvement is \$50,000 or more. Buildings and building improvements are capitalized when the cost is \$100,000 or more. Equipment (including purchased software licenses) is capitalized when the cost of individual items is \$5,000 or more. Infrastructure assets are capitalized when the cost of the assets is \$1,000,000 or more for governmental funds and fiduciary funds, and \$50,000 or more for proprietary funds and component units. Intangible assets such as easements, patents, trademarks, internally generated computer software, etc. (as defined by GASB Statement 51) are capitalized when the cost is \$250,000 or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

Depreciable capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Land Improvements	20-30
Buildings and Improvements	15-50
Infrastructure	20-99
Equipment	3-17
Intangible Assets	3-25

The State owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business-type activity discretely presented component unit, adopted the State's policy on capitalizing historical treasurers and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota. The collections are valued at the historical cost or estimated fair market value at the time of donation. The reported capitalized value of these collections was \$8,669,911 and \$375,585,

respectively, as of June 30, 2014. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position by the government that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported in the applicable governmental, business-type activities, or in the component units columns on the government-wide Statement of Net Position. Deferred outflows of resources of governmental funds, proprietary funds, and component units are reported in detail in their respective fund statements.

Long-term Obligations

In the Government-wide Financial Statements and Proprietary Fund Financial Statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s), and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the applicable governmental, business-type activities, or in the component unit columns on the government-wide Statement of Net Position. Deferred inflows of resources of governmental funds, proprietary funds, and component units are reported in detail in their respective fund statements.

Net Position and Fund Balances

“Net Position” on the Government-wide, Proprietary, and Fiduciary Funds Financial Statements and “Fund Balance” on the Governmental Fund Financial Statements consists of assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Position is reported in three categories:

Net Investment in capital assets is a category reported in the Government-wide Statement of Net Position and consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debts that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position consists of assets that have externally imposed constraints placed on them by either creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation of the State.

Unrestricted net position consists of assets that do not meet the definition of the two preceding categories.

The state's policy is that unrestricted amounts are spent first, when expenditures are incurred for purposes of which multiple resources are available within a fund.

In the Fund Financial Statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund Balances can be reported in five different categories:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted fund balance consists of assets that have externally imposed constraints placed on them by either creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation of the State.

Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the State Legislature through legislation passed into law.

Assigned fund balance includes amounts that are constrained by the State's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch or by directive of the Appropriations Committee of the Legislature or in some cases by passage of an appropriation. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed.

Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance also includes negative residual balances in other governmental funds.

The State does not use separate funds to segregate restricted, committed and assigned resources. It instead uses the accounting structure to track sources of resources. The State's policy is that assigned amounts are spent first, then committed, restricted and finally unassigned when expenditures are incurred for purposes of which multiple resources are available within the accounting structure.

G. Compensated Absences

All full-time and permanent part-time employees earn annual leave and sick leave. Employees earn fifteen days annual leave per year that can be accumulated to thirty days, except for employees with more than fifteen years of employment, who earn twenty days annual leave per year that can be accumulated to forty days. Upon termination, employees receive payment for their accumulated annual leave. Employees earn fourteen days sick leave per year. Unless dismissed for cause, employees who terminate after seven years of continuous employment, receive payment for one-fourth of their accumulated sick leave balance, not to exceed four hundred eighty hours.

A liability has been recorded in the Government-wide and Fund Financial Statements for compensated absences in accordance with GASB statements.

H. Lottery Security Deposits

State law requires video lottery operators to furnish security to the Lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee. As of June 30, 2014, the amount of certificate of deposits being held by the Lottery was \$462,699 and is included in cash and cash equivalents on the balance sheet. The amount of \$4,980,282 was in the form of surety bonds, deposits in cash, or irrevocable letters of credit and is not reported on the Statement of Net Position.

I. Interfund Activity and Balances

Interfund activity, as a general rule, has been eliminated from the Government-wide Financial Statements. An exception to this rule is activities between funds reported as governmental activities and funds reported as business-type activities. An example is the transfer of profits from the Lottery Fund to the General Fund. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the Fund Financial Statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return, or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. An example is securities taxes collected by the Department of Revenue which are deposited into a special revenue fund but are transferred to and expended by the General Fund.

Interfund balances - interfund receivables and payables have been eliminated from the Statement of Net Position.

2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

Implementation of Recent GASB Pronouncements

For the fiscal year ended June 30, 2014, the State implemented the following new accounting standards issued by the Governmental Account Standards Board (GASB):

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement 67, *Financial Reporting for Pension Plans*.

GASB Statement 69, *Government Combinations and Disposals of Government Operations* (early implementation)

GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement 65. This Statement establishes accounting and financial reporting standards that reclassify certain items previously reported as assets to deferred outflows of resources; and certain items previously reported as liabilities to deferred inflows of resources. As a result of implementing this Statement, presentation and terminology changes were made to the government-wide statements and fund financial statements. Additionally, beginning net position has been restated in the applicable government-wide statements and fund financial statements for the elimination of the capitalization and amortization of bond issuance costs. See **Restatements-Primary Government** and **Restatements-Component Units** below for details.

GASB Statement 67. This Statement was implemented by South Dakota Retirement System (pension trust) for their fiscal year ended June 30, 2014. This Statement requires changes in presentation of the financial statements, notes to the financial statements, and required supplementary information for pension plans. Significant changes include: an actuarial calculation of total and net pension asset, a more comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of this Statement did not significantly impact the accounting for accounts receivable and investment balances for pension plans. The total pension liability, determined in accordance with GASB Statement 67 is presented in the South Dakota Retirement System's separately issued financial statements.

GASB Statement 69. During the fiscal year ended June 30, 2014, the State elected to early implement GASB Statement 69. As a result of this early implementation, the Cement Plant Retirement System merger with the South Dakota Retirement System is reported in accordance with this Statement. More information can be found in the South Dakota Retirement System's separately issued financial statements.

GASB Statement 70. This Statement requires additional disclosures concerning a government's obligations and risk exposure from extending nonexchange financial guarantees. In part, this Statement requires a government (guarantor) to recognize a liability when qualitative factors and historical data indicate that it is more likely than not the guarantor will be required to make a payment on the nonexchange financial guarantee. This Statement had no effect on the State of South Dakota.

All applicable provisions of these new statements have been incorporated into the financial statements and notes.

Restatements-Primary Government

As a result of implementing GASB Statement 65, the capitalization and amortization of bond issuance costs was eliminated and resulted in a decrease in beginning net position for the following major proprietary funds:

Clean Water State Revolving Fund	\$ 873,177
Drinking Water State Revolving Fund	444,102

The restatements will have the same effect on the government-wide financial statements.

As a result of implementing GASB Statement 65, the capitalization and amortization of bond issuance costs were eliminated and resulted in a decrease in beginning net position in the governmental activities column of the government-wide financial statements.

Educational Enhancement Funding Corporation	\$ 1,766,023
South Dakota Building Authority	463,258

The beginning net position reported in the governmental activities column of the government-wide financial statements increased \$2,316,020 because of asset capitalization errors in previous years. The assets are correctly capitalized in FY14. This restatement will have the same effect on the beginning balance in Note 6.

The beginning fund balance of the General Fund was increased by \$4,943,449 due to the inclusion of the securities held as unclaimed property. This restatement will have the same effect on the government-wide financial statements.

The beginning fund balance of the General Fund was decreased by \$5,734,933 due to errors in reporting unavailable revenue in prior years. This will have no effect on the government-wide financial statements.

The beginning fund balances of the Economic Development Partnership Fund, the Local Infrastructure Fund, and the Workforce Education Fund, all previously reported as nonmajor special revenue funds, decreased by \$1,053,992, \$1,756,654, and \$2,107,985 respectively. Because of legislative funding changes, these funds no longer meet the GASB Statement 54 requirements to be classified as special revenue funds and are now being reported in the General Fund. These changes increased the General Fund beginning fund balance by \$4,918,631. See Note 16 for more information. This will have no effect on the government-wide financial statements.

The beginning fund balance of the Federal Stimulus (ARRA) Fund, reported as a nonmajor special revenue fund, decreased by \$2,086,002 and the beginning fund balance in the Governor's Office and State Development Federal Fund, also reported as a nonmajor special revenue fund, increased by the same amount. The State Energy Loan Program, previously reported in the Federal Stimulus (ARRA) fund, is now being reported in the Governor's Office and State Development Federal Fund because the federal stimulus requirements have been satisfied. This program will continue to be supported through the Governor's Office and State Development Federal Fund. This will have no effect on the government-wide financial statements.

The beginning fund balance of the Governor's Office and State Development Federal Fund, reported as a nonmajor special revenue fund, increased by \$567,390 for prior year errors in reporting unearned revenue in the State Energy Loan Program. This restatement will have the same effect on the government-wide financial statements.

The beginning fund balance of the South Dakota Building Authority Special Revenue Fund, reported as an other nonmajor special revenue fund, increased by \$65,345 due to the completion of the Conservation Reserve Enhancement Program (CREP), previously reported as a nonmajor discretely presented component unit. All residual cash and fund balances in the CREP have been transferred to the South Dakota Building Authority Special Revenue Fund. This restatement will have the same effect on the government-wide financial statements.

Restatements-Component Units

During fiscal year 2014, the State's discretely presented component units implemented GASB Statement 65. As a result the capitalization and amortization of bond issuance costs were eliminated. This resulted in a decrease in beginning net position for the following discretely presented component units:

Housing Authority (reported as a major component unit)	\$ 10,611,081
Higher Education (reported as a major component unit)	4,156,801
Finance Authority (reported as a nonmajor component unit)	43,312
S.D. Ellsworth Development Authority (reported as a nonmajor component unit)	3,435

These restatements will have the same effect on the government-wide financial statements.

The beginning net position balance reported for Higher Education, reported as a major discretely presented component unit, decrease by \$548,000 for errors in the reporting of receivables, liabilities, fixed assets, and other miscellaneous reporting errors in prior years. This restatement will have the same effect on the government-wide financial statements

The beginning net position balance of the CREP, previously reported as a nonmajor discretely presented component unit, decreased by \$65,345 due to the completion of the program. With the completion of the program, CREP is no longer reported as a component unit of the State. This restatement will have the same effect on the government-wide financial statements.

Restatements-Note 6 Capital Assets

The beginning balance of Business-type Activities' equipment in Note 6 section A of the Notes to the Financial Statements was reduced by \$2,313,097 and included in the beginning intangible assets – software balance to correctly disclose the type of asset. The associated accumulated depreciation of \$809,584 was also moved from equipment and into intangible assets – software. This will have no effect on the fund financial statements or the government-wide financial statements.

Change in Classification

Under SDCL 3-12-218, the Cement Plant Retirement System was approved to be merged into South Dakota Retirement System. The merger took place as of April 1, 2014. The South Dakota Retirement System will continue to provide the same benefits for the class C members as what they previously received through the Cement Plant Retirement System. For financial statement presentation purposes, the Combining Statement of Fiduciary Net Potions - Pension Trust Fund and the Combining Statement of Change in Fiduciary Net Positions – Pension Trust Fund have been eliminated. See Note 7 of the Notes to the Financial Statements for more on the merger.

Recently Issued GASB Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. This Statement's objective is to improve financial reporting by state and local governments relative to pensions and its supporting documents usefulness. This Statement replaces the requirements found in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures*, where they relate to pension plans administered through trusts or equivalent arrangements. Both Statement No. 27 and No. 50 remain in effect for all other scopes. The requirements of GASB Statement 68 are effective for the State's fiscal year 2015 financial statements.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The requirements of GASB Statement 71 are effective for the State's fiscal year 2015 financial statements.

Management has not yet determined the impact that the unimplemented GASB statements will have on the State's financial statements.

3. CASH, DEPOSITS, AND INVESTMENTS

South Dakota Codified Laws (SDCL) and administrative rules authorize the types of deposits and investments. Most State public funds are invested in the Cash Flow Portfolio using the pooled deposit and investment concept. This concept allows for the deposit and investment of aggregate idle fund monies, while preserving the integrity of fund cash balances of each State fund.

Negative cash balances in funds participating in the Cash Flow Portfolio are reclassified at year-end as interfund payables. The cash and cash equivalents balance in the General Fund was reduced by \$16,865,700 for deficit cash balances that existed in various state funds at June 30, 2014, and is reported as an interfund receivable.

Certain funds and component units have statutory authority to make deposits and investments in specific types of securities, which may be more or less restrictive than the general authority covering the Cash Flow Portfolio. Additionally, bond provisions may require restrictions on types of investments. The State was in compliance with legal requirements governing deposit and investing activities.

Securities that are unclaimed at financial institutions are transferred to the State and held temporarily by the State until they are determined abandoned. The securities or proceeds can be claimed by the owners under established procedures. The Office of the State Treasurer administers any unclaimed securities per SDCL §43-41B, Uniform Unclaimed Property Act. Any unclaimed property, including any income or increment derived therefrom, is considered abandoned after remaining unclaimed by the owner for more than three years. Once determined abandoned, the State Treasurer has the authority to either keep the security or liquidate it anytime thereafter. The securities, for which cost at the time of acquisition is not readily available, have a market value of \$9,359,165 as of June 30, 2014 and are shown as investments in the General Fund.

A. Primary Government

Investments of the Primary Government are grouped into four categories, based upon investment objectives and risk. The first category is the Cash Flow Portfolio. This category represents the pooled public funds of the Primary Government (comprising 80% of the Cash Flow Portfolio) and discretely presented component units (comprising 20% of the Cash Flow Portfolio). Higher Education, the Science and Technology Authority and the Housing Authority are discretely presented component units and have deposits and investments in the Cash Flow Portfolio. Because of the pooled deposit and investment concept of the Cash Flow Portfolio, the discretely presented component units' share of the portfolio cannot be broken out separately for risk disclosure purposes. For risk disclosure purposes, their share of the Cash Flow Portfolio is included in the Primary Government. The second category is the Retirement Portfolio. This category represents the investments of the South Dakota Retirement System. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the South Dakota Investment Council (SDIC) and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund and the Vocational Education Program.

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a depository institution, the State of South Dakota will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Cash Flow Portfolio's certificates of deposit and other deposits in state financial institutions in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2014, pledged collateral for all depositories equaled at least 100 percent of the total public deposits in excess of depository insurance. As a result, none of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit risk.

The Retirement Portfolio has a formal deposit policy specific to custodial credit risk. The policy states that the United States Dollar (USD) equivalent of any non-USD currency cannot exceed 2.0% of the portfolio fair value on a trade date +7 days basis. At June 30, 2014, the Retirement Portfolio had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Retirement Portfolio was exposed to custodial credit risk of \$19,650,852.

The Trust Portfolios have a formal deposit policy specific to custodial credit risk. The policy states that the USD equivalent of any non-USD currency cannot exceed 2.0% of the portfolio fair value on a trade date +7 days basis. At June 30, 2014, the Trust Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Trust Portfolios were exposed to custodial credit risk of \$691,844.

The Other Funds have no formal deposit policy specific to custodial credit risk. At June 30, 2014, the Other Funds had bank balances that are not collateralized or covered by depository insurance. As a result, the Other Funds were exposed to custodial credit risk of \$410,427.

Investments

Securities Lending. State statutes and SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt, foreign equity securities, and domestic equity securities to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. All securities loans can be terminated on demand by either the SDIC or the borrower. The fair value of

securities on loan as of June 30, 2014 was \$72,256,852 and the collateral held on the same date was \$74,067,068. At year-end, the SDIC has no credit risk exposure to borrowers because the amounts the SDIC owes the borrowers exceed the amounts the borrowers owe the SDIC.

The SDIC's securities custodian is an agent in lending securities and shall accept only U.S. Government securities or its agencies as collateral for any loan or loaned securities. The collateral required must equal 102% of fair value plus accrued interest for corporate debt securities, 102% of fair value for U.S. equity securities and 105% of fair value for foreign securities except in the case of loans of foreign securities which are denominated and payable in USD, in which event the collateral required is 102% of fair value. The earnings generated from the collateral investments results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent. The contract with the lending agent requires the agent to indemnify the SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

The SDIC does not have the ability to pledge or sell collateral securities unless the borrower defaults, therefore no asset and corresponding liability for the collateral value of securities received has been established on the Statement of Net Position. Regarding restrictions on loans, the securities lending agreement does limit the total value of securities that can be out on loan on any given day.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. SDIC securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2014, the SDIC does not have custodial credit risk with regards to security lending collateral. The Other Funds do not have a policy for custodial credit risk. The Other Funds had custodial credit risk totaling \$174,412,974 in guaranteed investment contracts, federal agency bonds and US Treasury bonds at June 30, 2014.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDIC policy limits or establishes ranges for the durations of the fixed income portfolios held by the various funds.

The Cash Flow Portfolio policy limits average portfolio duration to 2.88 years, and no holding's maturity can exceed 5 years. One exception to the 5 year maturity rule is that the portfolio may participate in the initial offering of securities with a maturity of up to 5 years, 3 months. The Retirement Portfolio fixed income portfolio duration must fall between 70% and 130% of the duration of the Citigroup Broad Investment Grade (BIG) Index. The Trust Portfolios investment-grade fixed income portfolios are benchmarked to the duration of the Citigroup BIG Index. The internally managed high yield fixed income portfolios have a duration range of 85% to 115% of the Citigroup High-Yield Cash Pay Capped Index duration. The Treasury Inflation Protected Securities (TIPS) investments have a range of 5 to 10 years to maturity at purchase. No formal interest rate risk policy exists for the fixed income portfolios of the Other Funds.

The weighted modified durations (in years) of the various funds are listed in the following table (expressed in thousands):

Investment Type	Cash Flow Portfolio		Retirement Portfolio		Trust Portfolios		Other Funds	
	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.
U.S. Treasuries	\$		\$ 130,739	7.03	\$ 24,807	7.03	\$ 8,768	1.39
U.S. Treasury bills	5,999	0.12	76,997	0.21				
U.S. Treasury STRIPS			45,596	9.01	2,041	9.01		
U.S. Treasury Inflation Protected Securities			1,806	0.79	42,654	1.16		
U.S. Agencies	242,415	1.69	57,895	3.73	17,661	6.44	10,049	1.79
U.S. Agency Discount Notes			18,714	0.19	1,669	0.13		
U.S. Government-backed loans					1,401	12.43		
Investment grade corporates	888,188	2.19	414,336	4.27	75,911	4.31		
High-yield corporates			116,596	3.64	12,579	3.63		
High-yield bond mutual fund								
Agency Mortgage-backed securities			304,450	4.70	58,475	4.60		
Non-agency Mortgage-backed securities			466,271	0.51	41,942	0.51		
Municipal bonds					49,349	4.50		
Investment agreements							134,793	11.56
Total	\$ 1,136,602		\$ 1,633,400		\$ 328,489		\$ 153,610	
Portfolio modified duration		2.07		3.33		4.51		10.34

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of South Dakota. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The Cash Flow Portfolio actively managed portion can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and .5% in individual holdings of corporate securities rating Baa3. The maximum overweight of Baa3 rated holdings versus the benchmark is 5% of the Cash Flow duration portfolio. The SDIC sets the investment policy annually for the Trust Portfolios and the Retirement Portfolio. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year.

The Clean Water State Revolving Fund and Drinking Water State Revolving Fund Master Trust Indenture requires any investment agreement to be with a guarantor whose long-term rating category is no lower than the two highest long-term rating categories.

Statutes authorize the Vocational Education Program to invest in the following: (1) direct obligations of the U.S.; (2) obligations issued by any agency or instrumentality of the U.S.; (3) certificates of deposit or time deposits of any bank which is a qualified public depository or any savings and loan association which is a savings and loan depository; (4) obligations of any solvent insurance company or other corporation existing under the laws of the U.S. or any state thereof provided the company or corporation is rated in one of the two highest rating classifications established by a standard rating service of insurance companies or a nationally recognized rating agency; (5) short-term discount obligations of the FNMA; or (6) obligations issued by any state of the U.S.

The Education Enhancement Funding Corporation does not have a formal policy on investment credit risk.

As of June 30, 2014, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. Government which are not considered to have credit risk. The investments are grouped as rated by Moody's Investors Service (expressed in thousands):

Moody's Rating	Cash Flow Portfolio Fair Value	Retirement Portfolio Fair Value	Trust Portfolios Fair Value	Other Funds Fair Value
Aaa	\$ 330,766	\$ 589,808	\$ 207,961	\$ 31,004
Aa	152,092	75,117	39,768	
A	643,750	148,761	45,018	
Baa	92,346	203,791	35,218	133,503
Ba		79,188	8,390	1,291
B		93,459	9,720	
Caa		195,394	17,204	
Ca		139,729	11,662	
P-1		18,714	1,669	
Unrated		61,760	10,041	12,745
Total	\$ 1,218,954	\$ 1,605,721	\$ 386,651	\$ 178,543

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement and Trust Portfolios' exposure to foreign currency risk is derived from their positions in foreign currency and foreign currency-denominated equity investments. The Retirement and Trust Portfolios do not hedge foreign currency back to USD (to match the unhedged benchmark) but do allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The Retirement and Trust Portfolios' exposure to foreign currency risk at June 30, 2014, are as follows (in USD fair value, expressed in thousands):

Currency	Retirement Portfolio				Trust Portfolios		
	Equities	Fixed Income	Cash	Total	Equities	Cash	Total
	U.S. Dollar Fair Value	U.S. Dollar Fair Value	U.S. Dollar Fair Value		U.S. Dollar Fair Value	U.S. Dollar Fair Value	
Australian Dollar	\$ 10,385	\$	\$ 512	\$ 10,897	\$	\$	\$
Brazilian Real	2,172			2,172			
British Pound	336,069		2,780	338,849	33,856	325	34,181
Canadian Dollar	124,043		977	125,020	9,613	102	9,715
Danish Kroner	7,075			7,075			
Euro	382,526		11,270	393,796	37,455	87	37,542
Hong Kong Dollar	3,802		52	3,854			
Hungarian Forint	1,244			1,244			
Japanese Yen	171,563		3,025	174,588	13,685	178	13,863
South Korean Won	56,977		2	56,979	2,747		2,747
Russian Ruble	266			266			
Swedish Krona	1,762		805	2,567			
Swiss Franc	313,188		228	313,416	36,024		36,024
Turkish Lira	1,085			1,085			
Total Fair Value	\$1,412,157	\$ 0	\$ 19,651	\$ 1,431,808	\$ 133,380	\$ 692	\$ 134,072

Investments with limited partnerships and certain global equity investments with outside managers, which are not included in the table above, may expose the State to additional foreign currency risk. For the Trust Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2014 was \$187,068,202. For the Retirement Portfolio, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2014 was \$2,553,651,323. The total fair value of global equity investments managed by outside managers was \$157,323,778.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Cash Flow Portfolio has a policy in place limiting its investments in individual holdings. Information regarding the Cash Flow Portfolio policy is located in the Credit Risk section. The SDIC does not have a formal policy in place to limit investments in any particular issuer for the Retirement Portfolio and Trust Portfolios. Additionally, there are no single issuer exposures (excluding those issued by or explicitly guaranteed by the U.S. Government, or involving mutual funds or investment pools) within the portfolios that comprise 5% of the overall portfolios at June 30, 2014.

Derivative Financial Instruments in Primary Government

Retirement Portfolio. Derivatives are generally defined as a contract whose value depend on, or derives from, the value of an underlying asset, reference rate or index. The Retirement Portfolio is exposed to a variety of derivative products through the investment management of the SDIC and their outside managers. The following notes detail the derivative instruments used in the SDIC's internally managed portfolios. All of the SDIC's derivatives are classified as investment derivatives.

Futures Contracts. A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. The SDIC purchases and sells financial and interest rate futures as a means of adjusting the Retirement Portfolio's mix at a lower transaction cost than transactions that would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2014, S&P 500 futures and 10-year U.S. Treasury note futures were utilized. Upon entering into such a contract, the SDIC pledges to the broker cash or U.S. government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, the portfolios

receive or pay a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The pending variation margin at June 30, 2014 of (\$23,383) is presented in the Statement of Net Position as “Due to brokers – futures transactions.” The change in fair value of the futures contracts is presented in the Statement of Changes in Net Position as “Net appreciation in fair value of investments.” The net change in fair value from futures contracts for fiscal year ended June 30, 2014 was (\$124,422,107). Futures contracts outstanding at June 30, 2014 were as follows:

	<u>Open Position</u>	<u>Contracts</u>	<u>Notional Contract size</u>	<u>Fair Value (Exposure)</u>
U.S. Treasury Note future due September 2014	Long	2,735	\$100,000 par value 6% U.S. Treasury note	\$ 342,345,078
S&P 500 Index future due September 2014	Short	2,900		\$ (1,415,490,000)

Foreign Currency Forward Contracts. The SDIC enters into foreign exchange forward contracts to manage foreign currency exposure, as permitted by portfolio policies. The fair values of the contracts are presented in the Statement of Net Position as “Investments at fair value – Equities.” The change in fair value of the forward contracts is presented in the Statement of Changes in Net Position as “Net appreciation in fair value of investments.” The net change in fair value from foreign currency forward contracts for fiscal year ended June 30, 2014 was (\$402,767). At June 30, 2014, the foreign currency forward contracts outstanding were as follows:

<u>Description</u>	<u>Notional Amount</u>	<u>Maturity Date</u>	<u>Fair Value (U.S. Dollars)</u>
Forward sale	1,943,536 CHF	07/24/2014	\$ 6,289
Forward sale	19,770,519 CHF	08/05/2014	190,356
Forward sale	18,500,000 EUR	09/22/2014	(215,691)
Forward purchase	129,400,000 CNY	07/24/2014	1,011,559
Forward purchase	128,050,000 CNY	07/28/2014	789,544
Forward purchase	150,250,000 CNY	03/30/2015	(807,190)
Forward purchase	117,237,600 CNY	09/10/2015	789,640
Forward purchase	158,375,000 CNY	11/30/2016	46,713

Credit Risk. SDIC is exposed to credit risk on derivative instruments that are in asset positions. The SDIC attempts to minimize credit risk by entering into derivatives contracts with major financial institutions. At June 30, 2014, the net fair value of foreign currency forward contracts was \$2,834,102. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The credit ratings of the counterparties are as follows:

<u>Moody's Credit Rating</u>	<u>Number of Counterparties</u>	<u>Fair Value</u>
A1	1	\$ 2,834,102

Interest Rate Risk. The SDIC is exposed to interest rate risk on its 10-year U.S. Treasury Note futures contract. As interest rates increase, the value of the futures contract decreases.

Foreign Currency Risk. SDIC is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in foreign currencies. The net fair value of the foreign currency forward contracts in USD is \$1,811,220.

B. Component Units

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a depository institution, the component unit's deposits may not be returned to it. The Housing Development Authority deposit policy requires deposits in excess of the Depository Insurance maximums be collateralized 100%. Collateral must be deposited for safekeeping in a financial institution that is not owned or controlled either directly or indirectly by the pledging financial institution. The financial institution where the collateral is held must be a member of the Federal Reserve. The additional component units do not have deposit policies for custodial credit risk. As of June 30, 2014, the component units had deposits that were not collateralized or covered by depository insurance in the amount of \$41,006.

Investments

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The component units do not have investment policies for custodial credit risk. At June 30, 2014, investments in the amount of \$2,555,029 were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the component unit's name.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units have limits on the maturities of investments for their restricted accounts. Investments of the Capital Reserve accounts must provide for the purposes thereof as estimated by the Housing Development Authority. The investments must not mature later than the final maturity of the related Series of the Bonds. The average duration of individual securities will not exceed twenty years. Investments of the Mortgage Reserve accounts must provide for the purposes thereof as estimated by the Housing Development Authority.

The duration of fifty percent of individual securities will not exceed two years from the date of purchase or deposit. The Housing Development Authority assumes that its callable investments will not be called. The Housing Development Authority invests in mortgage pass-through securities issued by GNMA, FNMA and FHLMC. Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, the securities are considered highly sensitive to interest rate risk.

The Economic Development Finance Authority limits the maturities of investments for its restricted accounts (all accounts other than the General Account) to terms of two years or less from the date of the investment.

The Ellsworth Development Authority and the Science and Technology Authority do not have policies for interest rate risk.

As of June 30, 2014, the Housing Development Authority and the Economic Development Finance Authority had investments maturing as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	Greater than 10
U.S. Government Obligations	\$ 103,863	\$ 1,982	\$ 50,885	\$ 50,213	\$ 783
U.S. Treasury Notes					
Certificates of Deposit	6,433	2,097	4,336		
U.S. Agencies	495,821	35,778	84,084	43,177	332,782
Mutual Funds	118,049	118,049			
State Obligations	4,358	851	2,970	537	
Investment Agreements	8,658	4,297	3,727		634
Total	\$ 737,182	\$ 163,054	\$ 146,002	\$ 93,927	\$ 334,199

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the investment policy of the Housing Development Authority to invest in securities limited to direct general obligations of the U.S. Government, U.S. Government agencies, direct and general obligations of any state within the United States, mutual funds invested in securities mentioned above, and investment agreements secured by securities mentioned above. If securities are downgraded after purchase, the Authority will analyze the reason for the downgrade and determine what, if any, action is needed. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk.

The investment management policy of the Economic Development Finance Authority limits investments in Corporate Bonds to those rated in either of the two highest rating categories by either Moody's Investors Service or Standard & Poor's Corporation.

The Ellsworth Development Authority and the Science and Technology Authority are limited to investments permitted by state statute.

As of June 30, 2014, the Housing Development Authority and the Economic Development Finance Authority investments had the following ratings (expressed in thousands):

Moody's Rating	Fair Value
Aaa	\$ 490,271
Aa	955
A	
Baa	
Unrated	10,888
Total Fair Value	\$ 502,114

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2014 the Economic Development Finance Authority has the maximum portfolio exposure to permitted investments:

	Restricted Account		Unrestricted Account	
	Portfolio Exposure		Portfolio Exposure	
	Total	Individual	Total	Individual
U.S. Governments	100%	100%	100%	100%
U.S. Agencies	100%	100%	100%	100%
Repurchase Agreements	50%	25%	50%	25%
Corporate Bonds	0%	0%	50%	10%
Money Market Funds	25%	25%	25%	25%

The Housing Development Authority will minimize Concentration Credit Risk by diversifying the investment portfolio and reducing the impact of potential losses from any one type of security or issuer. As of June 30, 2014, the following issuers held 5% or more of the Housing Development Authority's investments: Federal Home Loan Bank (13.94%), Federal National Mortgage Association (22.60%), and Federal Home Loan Mortgage Corporation (11.10%).

Hedging Derivative Financial Instruments in Component Units

South Dakota Housing Development Authority. The Authority has entered into interest rate swap agreements in connection with issuing variable rate mortgage revenue bonds. The intentions of the swaps are to create synthetic fixed rate debt at a lower interest rate than achievable from long-term fixed rate bonds and to achieve the Authority's goal of lending to low and moderate-income first-time home buyers at below market fixed interest rates.

Swap Terms. The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2014, are contained in the table below. The initial notional amounts of the swaps match the principal amounts of the associated debt. The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are generally 10 years after the date of issuance of the related bonds (expressed in thousands).

Bond Series	Current Notional Amount	Effective Date	Fixed Rate	Variable Rate Received	Termination Date	Counterparty Credit Rating*	Fair Value
Merrill Lynch Capital Services							
2005 D	\$ 6,925	04/13/2005	3.29%	57.3 % of LIBOR plus 0.40%	05/01/2015	Baa2	\$ (193)
2007 I	34,000	10/16/2007	4.14%	63.8% of LIBOR plus 0.30%	05/01/2038	Baa2	(3,541)
JPMorgan Chase Bank, N.A.							
2004 G	33,000	10/20/2004	3.90%	63.4% of LIBOR plus 0.29%	05/01/2034	Aa3	(584)
2005 C	41,000	04/13/2005	3.93%	63.3% of LIBOR plus 0.30%	05/01/2035	Aa3	(1,438)
2008 F	34,000	09/04/2008	3.85%	63.7% of LIBOR plus 0.31%	05/01/2039	Aa3	(3,477)
The Bank of New York, Mellon, N.A. (Novated from UBS on 7/22/2010)							
2003 F	-	06/21/2005	3.76%	63.8% of LIBOR plus 0.29%	05/01/2034	Aa1	-
2003 I	28,000	06/21/2005	3.76%	63.8% of LIBOR plus 0.29%	05/01/2034	Aa1	-
2004 C	34,000	06/21/2005	3.75%	63.8% of LIBOR plus 0.29%	05/01/2034	Aa1	-
Bank of America, N.A.							
2009 C	22,000	11/18/2009	3.14%	64.0% of LIBOR plus 0.22%	05/01/2039	A2	(1,398)
Merrill Lynch Derivative Products, AG.							
2005 G	25,000	08/31/2005	3.77%	63.8% of LIBOR plus 0.29%	05/01/2035	Aa3	(1,200)
2006 C	45,000	06/14/2006	4.42%	64% of LIBOR plus 0.29%	05/01/2037	Aa3	(3,445)
2008 C	38,985	04/23/2008	3.42%	63.7% of LIBOR plus 0.30%	05/01/2039	Aa3	(2,507)
MPB 2008 A	6,980	08/02/2008	3.55%	63.8% of LIBOR plus 0.20%	05/01/2048	Aa3	(611)

* Moody's Investors Service

The fair values presented above were estimated by the Housing Development Authority's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2014. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

Swap Risks

Credit Risk. The terms of the swaps expose the Housing Development Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure to its counterparties when the swap positions have a positive value. Several of the swap agreements require that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral thresholds are based on the prevailing ratings, as determined by

Moody's and Standard & Poor's, of each counterparty, in the case of the counterparties, or hedged bonds, in the case of the Authority. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2014, neither the Authority nor any counterparty had been required to post collateral.

Basis Risk. The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds, but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. For the year ended June 30, 2014, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.42% per annum, while the weighted average interest rate on the swaps was 1.48% per annum. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax exempt rates and the one-month taxable LIBOR rate.

Termination Risk. The Authority's swap contracts are based upon the International Swap Dealers Association Master Agreement, which includes standard termination events. The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract. Upon termination, a payment is due to one party irrespective of causality based upon the fair value of the swap. The potential termination risks to the Authority are the liability for a termination payment to the counterparty or the inability to replace the swap under favorable financial terms. To reduce the Authority's termination risk, the swap contracts limit the counterparty's ability to terminate due to the following Authority actions or events: payment default, other defaults that remain uncured for 30 days after notice, bankruptcy and insolvency.

Amortization Risk. The Authority may incur amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding amount of variable rate bonds to decline faster than the amortization of the swap. To ameliorate amortization risk, call options were structured within the swaps to enable the Authority to manage the outstanding balances of variable rate bonds and notional swap amounts. Additionally, the Authority may terminate the swaps at market value at any time. As of June 30, 2014, outstanding debt principal exceeds current swap notional amounts by \$4,515,000.

Tax Risk. The structure of the variable interest rate payments the Authority receives from its swap contracts are based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents a risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Authority has chosen to assume this risk because it was not economically feasible to transfer to the swap counterparty.

Concentration Risk. The total outstanding notional amount of swaps with a single counterparty will not exceed \$150,000,000.

Swap Payments and Associated Debt. As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2014 (expressed in thousands):

Year End 30-Jun	Variable-Rate Bond		Interest Rate Swap – Net	Total
	Principal	Interest		
2015	\$ 95	\$ 248	\$ 9,897	\$ 10,240
2016	100	248	9,670	10,018
2017	100	248	9,608	9,956
2018	105	248	9,591	9,944
2019	110	248	9,587	9,945
2020-2024	640	1,236	47,878	49,754
2025-2029	27,010	1,216	47,100	75,326
2030-2034	153,765	866	36,088	190,719
2035-2039	106,590	231	8,507	115,328
2040-2044	1,470	18	422	1,910
2045-2049	1,420	6	151	1,577
Total	\$ 291,405	\$ 4,813	\$ 188,499	\$ 484,717

Rollover Risk. Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt. When the swap terminates, the associated debt will no longer have the benefit of the swap. The Authority is exposed to rollover risk on the following debt:

<u>Bond Series</u>	<u>Debt Maturity Date</u>	<u>Swap Termination Date</u>
2005 D	11/01/2031	05/01/2015

Mortgage-Backed Security (MBS) Forwards Contracts. The South Dakota Housing Development Authority has entered into forward contracts to hedge the interest rate risk of delivering MBS securities guaranteed by Ginnie Mae and Fannie Mae in the future, before the securities are ready for delivery (referred to as “to-be-announced” or TBA Mortgage-Backed Securities). These securities represent pools of qualified mortgage loans originated by Authority approved lenders. The forward contracts offset the financial impact to the Authority of changes in interest rates between the time of loan reservations made to originating mortgage lenders and the securitization and sale of such loans as Ginnie Mae or Fannie Mae securities. The forward contracts are considered derivative instruments and the fair values were obtained from an external pricing specialist who used acceptable methods and assumptions in accordance with GASB requirements, subject to review and approval by the Authority. A positive fair value represents money due the Authority by the counterparty, while a negative fair value represents money payable by the Authority.

Outstanding forward sales contracts as of June 30, 2014, are as follows:

<u>Forward Contracts to sell TBA Mortgage- Backed Securities</u>	<u>Notional Amount June 30, 2014</u>	<u>Trade Date</u>	<u>Delivery Date</u>	<u>Coupon Rate</u>	<u>Fair Values June 30, 2014</u>	<u>Moody's Credit Rating</u>
Mizuho						
FNMA	\$ 454,450	6/9/2014	7/14/2014	4.50%	\$ (2,769)	Aaa
GNMA II	700,000	5/7/2014	7/21/2014	3.50%	(8,641)	Not rated
Bank of New York Mellon						
FNMA	500,000	5/8/2014	7/14/2014	3.50%	(5,156)	Aaa
FNMA	21,600	6/9/2014	7/14/2014	3.50%	(181)	Aaa
FNMA	1,144,600	6/9/2014	7/14/2014	4.00%	(9,121)	Aaa
FNMA	500,000	4/16/2014	7/14/2014	4.00%	(11,563)	Aaa
FNMA	500,000	5/7/2014	7/14/2014	4.00%	(6,797)	Aaa
FNMA	500,000	4/25/2014	7/14/2014	4.50%	(8,672)	Aaa
GNMA II	600,000	4/24/2014	7/21/2014	3.50%	(13,875)	Not rated
GNMA II	600,000	5/12/2014	7/21/2014	3.50%	(9,656)	Not rated
GNMA II	2,000,000	6/13/2014	7/21/2014	3.50%	(19,688)	Not rated
GNMA II	500,000	5/2/2014	7/21/2014	4.00%	(8,203)	Not rated
GNMA II	500,000	5/8/2014	7/21/2014	4.00%	(6,016)	Not rated
GNMA II	500,000	5/13/2014	7/21/2014	4.00%	(6,602)	Not rated
GNMA II	3,429,000	6/13/2014	7/21/2014	4.00%	(29,468)	Not rated
FNMA	500,000	5/21/2014	8/12/2014	3.50%	(3,828)	Aaa
FNMA	500,000	5/21/2014	8/12/2014	4.00%	(4,531)	Aaa
GNMA II	500,000	5/27/2014	8/21/2014	3.50%	(3,594)	Not rated
GNMA II	500,000	5/29/2014	8/21/2014	3.50%	(195)	Not rated
Piper Jaffray						
GNMA II	500,000	4/25/2014	7/21/2014	3.50%	(10,078)	Not rated
GNMA II	759,500	6/13/2014	7/21/2014	3.50%	(7,002)	Not rated
GNMA II	500,000	4/25/2014	7/21/2014	4.00%	(10,000)	Not rated
GNMA II	600,000	5/15/2014	7/21/2014	4.00%	(4,875)	Not rated
Simmons First						
GNMA II	700,000	5/15/2014	7/21/2014	3.50%	(5,004)	Not rated
GNMA II	600,000	4/23/2014	7/21/2014	4.00%	(13,500)	Not rated
GNMA II	600,000	5/7/2014	7/21/2014	4.00%	(7,570)	Not rated
	<u>\$ 18,709,150</u>				<u>\$ (216,585)</u>	

4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

A. Receivables - Net

The line "Receivables, net" reported on the government-wide Statement of Net Position consisted of the following (expressed in thousands):

	General Fund	Trans- portation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	Total
Taxes Receivable	\$126,118	\$ 12,116	\$	\$	\$	\$ 3,137	\$	\$ 141,371
Allowance	(12,510)	(28)				(4)		(12,542)
Accounts Receivable	9,390	607	8,261	446	370	22,883	814	42,771
Allowance	(1,207)	(506)				(5,385)		(7,098)
Due From Other Governments	1,071	44,042	33,397			81,092	142	159,744
Interest Receivable	1,466	258	2	800	1,632	1,531	152	5,841
Current Loans and Notes						4,383		4,383
Non-current Loans and Notes		433				61,249		61,682
Allowance						(1,039)		(1,039)
Due From Fiduciary Funds	27					134	77	238
Receivables, net	\$124,355	\$ 56,922	\$ 41,660	\$ 1,246	\$ 2,002	\$ 167,981	\$1,185	\$ 395,351

Business-type Activities

	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	Total
Accounts Receivable	\$ 4,858	\$	\$	\$ 4,755	\$ 9,613
Allowance	(14)			(2,755)	(2,769)
Due From Other Governments		458	433	327	1,218
Interest Receivable	48	3,092	1,975	441	5,556
Current Loans Receivable		22,102	10,042	17,903	50,047
Allowance				(763)	(763)
Noncurrent Loans Receivable		210,939	135,706	26,888	373,533
Allowance				(1,553)	(1,553)
Due From Fiduciary Funds				23	23
Receivables, net	\$ 4,892	\$236,591	\$148,156	\$ 45,266	\$ 434,905

B. Accounts Payable and Other Current Liabilities

The line "Accounts Payable and Other Current Liabilities" reported on the government-wide Statement of Net Position consisted of the following (expressed in thousands):

	Governmental Activities							
	General Fund	Transportation Fund	Social Services Federal Fund	Dakota Cement Trust	Educational Enhancement Trust	Non-major Governmental Funds	Internal Service Funds	Total
Payroll and Withholdings	\$ 12,711	\$ 4,810	\$ 2,208	\$	\$	\$ 9,040	\$ 2,268	\$ 31,037
Accounts Payable	13,694	39,100	4,123	871	1,881	21,674	3,003	84,346
Medicaid and CHIP Claims	24,099		30,980			6,171		61,250
Due to Other Governments	1,007	3,557	130			29,835	168	34,697
Bank Tax Refund	5,181							5,181
Shared Revenue Distribution	12,124					32,516		44,640
Claims Payable							14,538	14,538
Due to Fiduciary Funds	49					54		103
Total	\$ 68,865	\$ 47,467	\$ 37,441	\$ 871	\$ 1,881	\$ 99,290	\$ 19,977	\$ 275,792

Business-type Activities					
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	Total
Payroll and Withholdings	\$ 106	\$ 21	\$ 16	\$ 604	\$ 747
Accounts Payable	1,516	490	293	5,137	7,436
Due to Fiduciary Funds				11	11
Escrow Payable	65				65
Claims Payable				222	222
Other Liabilities	487			32	519
Total	\$ 2,174	\$ 511	\$ 309	\$ 6,006	\$ 9,000

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2014 is as follows (expressed in thousands):

A. Interfund Receivables and Payables

Due To	Due From											Total
	General Fund	Transportation Fund	Social Services Federal Fund	Education Enhancement Fund	Non-major Governmental Funds	Lottery Fund	Clean Water State Revolving	Drinking Water State Revolving	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$	\$	\$ 1,933	\$ 15,700	\$ 21,303	\$ 4,907	\$	\$	\$ 7	\$ 11	\$ 27	\$ 43,888
Transportation Fund			5		1,583	37			1	524		2,150
Social Services Federal Fund	133				7							140
Non-major Governmental Funds	275	111	204		846	1,402			180	205	135	3,358
Non-major Enterprise Funds	1,520		14		46					195	23	1,798
Internal Service Funds	2,384	1,088	704		2,605	75	1	1	150	851	77	7,936
Fiduciary Funds	49				54				11			114
Total	\$ 4,361	\$ 1,199	\$ 2,860	\$ 15,700	\$ 26,444	\$ 6,421	\$ 1	\$ 1	\$ 349	\$ 1,786	\$ 262	\$ 59,384

Interfund receivables and payables are recorded for: 1) interfund goods or services provided or other reimbursable transactions occurring between funds; 2) year-end entries eliminating deficit cash balances in funds as described further in Note 3; and, 3) other payables existing between funds. An interfund balance of \$1,000,000 is due from the General Fund to the Revolving Economic Development and Initiative Fund, reported as a non-major Enterprise Fund. This amount is expected to be disbursed in fiscal year 2016 and 2017 per SDCL 1-16G-48 in two annual payments of \$500,000.

Advances between funds also existed at June 30, 2014 which are not shown in the above table. These are interfund borrowings between funds that are not due within one year. In fiscal year 2014, advances include \$821,004 from the Energy Conservation Fund, reported as a non-major governmental fund, to the General Fund for energy conservation projects.

B. Interfund Transfers

Transferred From	Transferred To							Total
	General Fund	Transportation Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$	\$ 50	\$	\$ 28,135	\$ 1,870	\$ 1,378	\$ 7,598	\$ 39,031
Transportation Fund	2,905			1,184				4,089
Social Services Federal Fund				276				276
Dakota Cement Trust Fund	10,063							10,063
Education Enhancement Trust Fund	15,700							15,700
Non-major Governmental Funds	72,529	6,227	7,720	9,002	3,229			98,707
Lottery Fund	98,535	195		7,491				106,221
Clean Water State Revolving Fund				32				32
Drinking Water State Revolving Fund				27				27
Non-major Enterprise Funds	2			1,754	1,167			2,923
Internal Service Funds				345				345
Total	\$ 199,734	\$ 6,472	\$ 7,720	\$ 48,246	\$ 6,266	\$ 1,378	\$ 7,598	\$ 277,414

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) move receipts restricted for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due; and, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In fiscal year 2014, \$219,340,866 of State appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in the Governmental Fund Balance Sheet and as expenses in the governmental activities column of the Statement of Activities. They are reported as revenues in the component unit's column of the Statement of Activities.

6. CAPITAL ASSETS

A. Primary Government

Capital Assets consisted of the following for fiscal year 2014 (expressed in thousands):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 110,713	\$ 1,578	\$ 1,618	\$ 110,673
Land Improvements	7,777	283		8,060
Land & Improvements - Roads	604,819	2,598		607,417
Construction in Progress, as restated	227,080	178,504	111,447	294,137
Total Capital Assets Not Being Depreciated	950,389	182,963	113,065	1,020,287
Capital Assets Being Depreciated:				
Land Improvements	28,621	1,301		29,922
Buildings	550,953	34,846	2,597	583,202
Equipment	193,145	14,828	7,040	200,933
Intangible Assets - Software, as restated	63,684	6,556	1,279	68,961
Vehicles	137,857	15,015	7,551	145,321
Infrastructure	3,571,449	90,880	6,381	3,655,948
Total Capital Assets Being Depreciated	4,545,709	163,426	24,848	4,684,287
Less: Accumulated Depreciation for:				
Land Improvements	9,792	1,242		11,034
Buildings	183,316	15,544	2,597	196,263
Equipment	112,597	13,734	5,866	120,465
Intangible Assets - Software, as restated	43,749	4,227	1,057	46,919
Vehicles	79,022	8,442	6,671	80,793
Infrastructure	1,395,224	60,931	5,810	1,450,345
Total Accumulated Depreciation	1,823,700	104,120	22,001	1,905,819
Total Capital Assets Being Depreciated, Net	2,722,009	59,306	2,847	2,778,468
Total Governmental Activities, Net	\$ 3,672,398	\$ 242,269	\$ 115,912	\$ 3,798,755

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 295	\$	\$	\$ 295
Construction in Progress	110		110	
Total Capital Assets Not Being Depreciated	405	0	110	295
Capital Assets Being Depreciated:				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment, as restated	3,373	309	5	3,677
Intangible Assets - Software, as restated	3,038		178	2,860
Total Capital Assets Being Depreciated	11,343	309	183	11,469
Less: Accumulated Depreciation for:				
Land Improvements	590	14		604
Buildings	3,102	65		3,167
Equipment, as restated	2,152	612	5	2,759
Intangible Assets - Software, as restated	1,527	235	178	1,584
Total Accumulated Depreciation	7,371	926	183	8,114
Total Capital Assets Being Depreciated, Net	3,972	(617)	0	3,355
Total Business-type Activities, Net	\$ 4,377	\$ (617)	\$ 110	\$ 3,650

Depreciation was charged to the function of government as follows:

Governmental Activities	Amount
Unallocated	\$ 53
General Government	9,589
Health, Human and Social Services	3,259
Law, Justice, Public Protection and Regulation	11,503
Agriculture and Natural Resources	4,006
Transportation	73,177
Education	2,442
Economic Resources	91
Total Governmental Activities	\$104,120
Business-type Activities	
Enterprise Funds	\$ 926

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2014 (expressed in thousands):

	Beginning Balance	Additions	Deletions	Balance
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	\$ 23,784	\$ 209	\$	\$ 23,993
Construction in Progress, as restated	75,569	73,346	76,116	72,799
Works of Art and Historical Treasures	9,032	13		9,045
Total Capital Assets Not Being Depreciated	108,385	73,568	76,116	105,837
Capital Assets Being Depreciated:				
Land Improvements	34,717	2,860		37,577
Infrastructure	53,019	4,084		57,103
Buildings, as restated	921,686	70,773	441	992,018
Equipment and Other Assets, as restated	242,459	11,439	7,693	246,205
Total Capital Assets Being Depreciated	1,251,881	89,156	8,134	1,332,903
Less: Accumulated Depreciation for:				
Land Improvements	14,416	1,341		15,757
Infrastructure	17,952	1,835		19,787
Buildings, as restated	288,518	27,287	388	315,417
Equipment and Other Assets, as restated	181,821	12,867	7,235	187,453
Total Accumulated Depreciation	502,707	43,330	7,623	538,414
Total Capital Assets Being Depreciated, Net	749,174	45,826	511	794,489
Total Higher Education Capital Assets, Net	857,559	119,394	76,627	900,326
South Dakota Housing Development Authority:				
Capital Assets Not Being Depreciated:				
Land	220			220
Total Capital Assets Not Being Depreciated	220	0	0	220
Capital Assets Being Depreciated:				
Land Improvements	1,210			1,210
Buildings	4,949			4,949
Equipment	4,008	103	60	4,051
Total Capital Assets Being Depreciated	10,167	103	60	10,210
Less: Accumulated Depreciation for:				
Land Improvements	545	57		602
Buildings	585	126		711
Equipment and Other Assets	2,626	291	60	2,857
Total Accumulated Depreciation	3,756	474	60	4,170
Total Capital Assets Being Depreciated, Net	6,411	(371)	0	6,040
Total Housing Authority Capital Assets, Net	6,631	(371)	0	6,260

Continued on next page

	Beginning Balance	Additions	Deletions	Balance
Science and Technology Authority:				
Capital Assets Not Being Depreciated:				
Land	1,534			1,534
Underground Mine	16,761	294		17,055
Archive Materials	70			70
Construction in Progress	4,141	6,013	474	9,680
Total Capital Assets Not Being Depreciated	22,506	6,307	474	28,339
Capital Assets Being Depreciated:				
Building Improvements	33,813			33,813
Buildings	7,223			7,223
Equipment	8,359	657	25	8,991
Equipment Under Capital Leases	884			884
Vehicles	79			79
Infrastructure	1,659			1,659
Total Capital Assets Being Depreciated	52,017	657	25	52,649
Less: Accumulated Depreciation for:				
Building Improvements	2,321	873		3,194
Buildings	1,172	146		1,318
Equipment	1,973	605	8	2,570
Equipment Under Capital Leases	82	166		248
Vehicles	44	10		54
Infrastructure	134	39		173
Total Accumulated Depreciation	5,726	1,839	8	7,557
Total Capital Assets Being Depreciated, Net	46,291	(1,182)	17	45,092
Total Science and Technology Authority Capital Assets, Net	68,797	5,125	491	73,431
Ellsworth Development Authority				
Capital Assets Not Being Depreciated:				
Land and Easements	197	1,254	1,070	381
Construction in Progress, as restated	5,864	17,602		23,466
Total Capital Assets Not Being Depreciated	6,061	18,856	1,070	23,847
Capital Assets Being Depreciated:				
Equipment, as restated	4			4
Total Capital Assets Being Depreciated	4	0	0	4
Less: Accumulated Depreciation for:				
Equipment	3	1		4
Total Accumulated Depreciation	3	1	0	4
Total Capital Assets Being Depreciated, Net	1	(1)	0	0
Total Ellsworth Development Authority Capital Assets, Net	6,062	18,855	1,070	23,847
Total Discretely Presented Component Units, Net	\$ 939,049	\$ 143,003	\$ 78,188	\$ 1,003,864

C. Construction in Progress

The State has entered into contracts for the renovation and construction of buildings, structures and infrastructure (highway projects). Constructions in Progress at June 30, 2014 are as follows (expressed in thousands):

Construction in Progress

Primary Government	Amount
Governmental Activities	
Land Improvements	\$ 534
Buildings and Structures	14,377
Equipment	7,988
Intangibles - Computer Software	53,753
Infrastructure	217,485
Total Governmental Activities	\$ 294,137
Business - Type Activities	
Total Business - Type Activities	\$ 0
Total Primary Government	\$ 294,137

Discretely Presented Component Units

Higher Education	
Land Improvements	\$ 615
Buildings and Structures	65,112
Infrastructure	7,072
Science and Technology	
Buildings and Structures	552
Infrastructure	9,128
Ellsworth Development	
Buildings and Structures	23,466
Total Discretely Presented Component Units	\$ 105,944

7. RETIREMENT PLANS

South Dakota Retirement System, Plan Description: The South Dakota Retirement System (SDRS) is a cost-sharing, multiple-employer, hybrid defined benefit plan for employees of the State and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. Authority for establishing, administering, and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. The SDRS is considered part of the State of South Dakota financial reporting entity and is included in the State's financial report as a pension trust fund. Copies of the separately issued financial report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

As of June 30, 2014, the number of participating governmental employers is as follows:

School districts	166
State of South Dakota	1
Board of Regents	1
Municipalities	155
Counties	64
Board and Commissions	89
Total employers	476

The SDRS financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to governmental accounting for a pension trust fund. Revenue is recorded when earned and expenses recorded when incurred. Employee and employer contributions are recognized when due pursuant to formal commitment, as well as statutory requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are carried at fair value to properly reflect the asset values of the fund at June 30, 2014. Fair values were determined based on closing market prices at June 30, 2014, for those securities traded on national and international stock exchanges and at the average of bid-and-asked quotations for those securities traded in the over-the-counter market. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Purchases and sales are recorded as of the trade date.

The equity securities include common stocks, preferred stocks, convertible debentures, arbitrage securities, and equity international funds. The fixed income securities include U.S. government and government-backed bonds and corporate bonds.

Foreign exchange rate gains and losses are included with the net appreciation in fair value in investments. Futures contracts are marked to market based on quoted futures prices with changes in fair value reflected in the current period.

Interest is accrued in the period it is earned and dividend income is recorded on the ex-dividend date.

Contributions: Covered employees are required by state law to contribute a percentage of their salary to SDRS as follows:

- Class A members - 6%
- Class B judicial members - 9%
- Class B public safety members - 8%

All participating employers are required to contribute an amount equal to the members' contributions. Members may make an additional contribution of 1.5% of compensation for optional spouse coverage (closed to new enrollees after July 1, 2010).

Contributions for all participating employers during fiscal year 2014 totaling \$218,726,863 (\$106,175,381 employee, \$112,551,482 employer, of this, \$7,598,498 was transferred from the general fund to actuarially fund the Cement Plant Retirement Fund) were made in accordance with statutory rates. The primary government and its discretely presented component units' share was \$86,837,276 (\$39,812,729 employee and \$47,024,547 employer). These contributions represent 12.439% of current year covered payroll for all participating units. The employee contributions exceed the employer contributions because of optional spouse coverage contributions and employee service purchase payments. The employer contributions for all participating employers for fiscal years 2013, 2012, and 2011 were \$100,376,481; \$98,866,649; \$98,624,737 respectively.

SDRS is funded by fixed member and employer contributions at a rate established by South Dakota law. On an annual basis, an independent actuarial valuation of SDRS is performed to determine the adequacy of the fixed contributions to pay the normal costs and expenses if the System is fully funded or pay the normal costs, expenses and amortize the unfunded actuarial accrued liability (UAAL) if the System is not fully funded. The June 30, 2014 actuarial valuation of the plan determined that the System is fully funded and that the statutorily required employer contributions meet the requirements for the annual required contributions of the employers under Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; and the statutorily required employer contributions are sufficient to pay the employer normal cost and expenses.

SDRS allows participating entities to pay their deferred contributions for funding of accrued benefits over periods of up to 20 years and members to pay for the purchase of certain prior service over periods of up to 10 years. Interest is charged at rates of 5% to 8%. As of June 30, 2014, deferred contribution payments will be received as follows (expressed in thousands):

Year Ending June 30	Employees
2015	\$ 56
2016	29
2017	21
2018	12
2019	4
Later	12
Total	\$ 134

Cement Plant Retirement Fund Merger: Under SDCL 3-12-218, the Cement Plant Retirement Fund was approved to be merged in with SDRS. All members of the Cement Plant Retirement Fund (the Cement Plant), including any retiree and any vested member, became class C members of the South Dakota Retirement System on April 1, 2014. The system will continue to provide the same benefits for the class C members as what they previously received.

For this merger to be accomplished, the South Dakota Legislature made appropriations of \$5.6 million (fiscal year 2014) and \$2.0 million (fiscal year 2013) to actuarially fully fund the Cement Plant Retirement Fund. Once the Cement Plant Retirement Fund was fully funded, the merger was accomplished with a transfer of cash and investments of \$66,451,940 from the Cement Plant Retirement Fund to the South Dakota Retirement Fund. The South Dakota Retirement System is now responsible for the administration of the Cement Plant Retirement Fund and its 336 active, inactive and retiree members. As a result of the transfer, SDRS recognized the following assets, liabilities, and net position as of June 30, 2013:

	Carrying Values
Transferred Assets (Net)	
Cash and cash equivalents	\$ 2,938,366
Receivables	364,213
Investments (fair value)	51,216,333
Total Assets	54,518,912
Transferred Liabilities	290,876
Net Position of Transferred Cement Plant Operation	
Net Position Restricted for Pension Benefits	\$ 54,228,036

Department of Labor Employment Security Retirement Plan: Employees of the Department of Labor and Regulation hired prior to July 1, 1980 had the option to become a member of the SDRS, or maintain membership in the Employment Security Retirement Plan. Per SDCL 61-2-15, the Department of Labor and Regulation may establish this retirement program and contract with a retirement plan administrator selected by the employee's retirement board. In addition this SDCL further specifies that no obligation may be incurred against the State's General Fund to pay for this program. The assets of the plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers the plan for the participants. The State has no liability for losses under the plan.

The Employment Security Retirement Plan was established as a defined benefit single employer plan administered through a private insurance carrier, however; the plan can be changed at any time. If the plan should terminate, the full amount in the employee account will be used to provide a retirement benefit to the employee. The plan assets over and above employee accounts will be used up on a priority basis to provide retirement income for plan members.

On July 1, 2013 (the most recent actuarial valuation date) the plan had 19 active participants, 2 vested terminated participants and 220 retired participants and beneficiaries.

8. DEFERRED COMPENSATION PLAN

The State of South Dakota maintains a deferred compensation plan for the benefit of its employees created in accordance with Internal Revenue Code Section 457. The plan is available to all employees of the State and its political subdivisions. The plan permits participants to defer a portion of their salary until future years, thereby deferring taxation on the portion deferred. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights held by the deferred compensation plan, at all times until made available to a participant or the participant's beneficiary, shall be held in trust for the exclusive benefit of the participants. The State has no liability for losses under the plan.

The assets of the deferred compensation plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers and markets the plan for the participants.

9. SPECIAL PAY PLAN

The Special Pay Plan (SPP) was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the SDRS Board of Trustees. South Dakota state government and the South Dakota Board of Regents are participating units and every state political subdivision may become a participating unit in the plan. The SPP mandates that qualifying employees (over age 55 and \$600 or more in "special" pay) of participating units defer 100 percent of their special lump-sum termination pay to the plan. The participating unit transfers the deferred pay to the fund. This deferred pay is available to a participant immediately after termination, upon later retirement, or to beneficiaries or an estate upon the participant's death.

10. SPECIAL ITEM - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In accordance with Administrative Rules 55:08:04, other postemployment benefits (OPEB) are available to health plan retirees that are receiving a retirement benefit from the South Dakota Retirement System. In order to receive an SDRS benefit, the retiree must be at least age 55 with three years of service. Certain Public Safety employees qualify for SDRS at age 45 with three years of service.

In the year ended June 30, 2014, the State of South Dakota developed retiree health plan rates for the retirees between the ages of 55 and 65 ("pre 65") that are projected to be fully supportive of the projected claim and fee costs of the program. The new rates were graduated in with the first increase on July 1, 2014 and the final increase on January 1, 2015.

In April of 2014, the State's pre 65 retiree population was notified of this change, advising them that the State would no longer subsidize the pre 65 retiree health plan. This premium will be adjusted annually to ensure that there is no projected direct or indirect premium subsidy from the State.

This rate change has eliminated any OPEB liability for the State. To recognize this change, there is a \$17,619,036 Special Item reported in the Statement of Activities for the Primary Government and a \$9,910,708 Special Item reported for Higher Education, a discreetly presented component unit.

11. COMMITMENTS

Construction and Other Commitments: At June 30, 2014, the Department of Transportation had contractual construction commitments of \$258,426,789 for various highway projects and maintenance commitments (including stockpile) of \$7,045,851. Financing for these future expenditures will be primarily from approved federal grants and highway use taxes.

The Department of Environment and Natural Resources had construction and other contractual commitments of \$116,623,170 for various water development projects. Financing for these future expenditures will be from approved federal grants, legislative appropriations, and a bond issue. These commitments relate to the following funds/programs:

Clean Water State Revolving Fund	\$ 56,269,735
Drinking Water State Revolving Fund	23,906,467
Water and Environment Fund Program	31,030,890
Federal Funds	5,416,078

The South Dakota Building Authority had contracts and other construction commitments of \$73,939,221.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$28,858,934. Financing for these commitments will be from home-ownership mortgage bonds.

The Governor's Office of Economic Development had construction and other contractual commitments of \$81,348,381. Financing for these future expenditures will be from approved federal grants, bond issuances, from a previous 1% sales tax, an employer's investment in South Dakota's future fee, and general appropriations. These commitments relate to the following funds/programs:

Revolving Economic Development Initiative (REDI) Fund Grants/Loans	
REDI Fund Loans	\$ 21,131,018
SD Economic Development Authority	325,000
Economic Development Finance	
Authority, Agriculture Processing	
and Export Program (APEX)	106,250
Community Development Block	
Grant (CDBG)	11,780,307
Future Fund Program	27,116,035
Energy Program Loans	1,592,048
State Small Business Credit Initiative Loans	1,723,971
Energy Conservation Loans	7,291,554
Economic Development Partnership Program	442,502
Local Infrastructure Improvement Program	1,093,000
Reinvestment Payment Program	8,746,697

The South Dakota Science and Technology Authority had the following contractual commitments: \$4,482,500 for the installation and maintenance of a deep level pump system at the Homestake Mine, \$3,387,284 for the construction of the Sanford Lab Visitor center, \$999,334 for the Compact Acceleration System Performing Astrophysical Research project, and \$2,668,062 to design and outfit two additional underground facilities.

The South Dakota Soybean Research and Promotion Council had commitments of \$7,540,700 for projects related to soybean research, promotion, and other various activities aimed at enhancing consumer and producer awareness of soybeans and soybean related issues.

The South Dakota Wheat Utilization, Research and Market Development Commission had commitments of \$1,274,000 for projects relating to research, promotion, and other various activities aimed at enhancing producer awareness of wheat and wheat related issues.

As of June 30, 2014, the South Dakota Board of Regents had construction commitments of \$15,585,011.

12. SELF-INSURANCE

A. Workers' Compensation Benefits and Unemployment Insurance

Various funds accumulate assets to cover risks that the State incurs in its normal operations. The State (rather than an insurance carrier) assumes the risk associated with claims of state employees for unemployment compensation benefits. "Premiums" charged to state funds to cover the costs of claims servicing and claims payments are based on a percentage of wages paid to state employees. Related transactions are accounted for in the State Unemployment Compensation Fund.

The State is self-insured for workers' compensation through the creation of reserves derived from a percentage of wages paid to state employees. This activity is accounted for in an internal service fund. Claims payable for workers' compensation is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses (those relating to a specific claim) are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. The claims liability is funded as claims are paid resulting in an actuarially determined unfunded liability of \$19,543,000 at June 30, 2014. The Workers' Compensation Fund liability at June 30, 2014 and the changes to the liability during fiscal years ended June 30, 2014 and 2013 listed on the following page were as follows (expressed in thousands):

	<u>FY2014</u>	<u>FY2013</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 23,407	\$ 22,142
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	4,521	4,740
Changes in provision for insured events of prior fiscal years	(21)	124
Total incurred claims and claim adjustment expenses	<u>4,500</u>	<u>4,864</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,042	1,463
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	2,543	2,136
Total payments	<u>3,585</u>	<u>3,599</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u><u>\$ 24,322</u></u>	<u><u>\$ 23,407</u></u>

B. Health and Life Insurance

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits (an insurance carrier, however, provides claims administration services for health insurance). The health and life insurance programs are accounted for in the Self-Insurance Fund, reported as an internal service fund. "Premiums" are charged to state funds for all covered employees. Employees may purchase varying levels of health and/or life coverage for their spouses and/or dependents. Effective January 1, 2014, the life insurance program switched from being self-insured to a fully insured product. Claims payable for health insurance is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. Claims expenses and liabilities for life insurance are reported using a case-by-case review of claims. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated

claim adjustment expenses are not included. The health and life insurance programs liability at June 30, 2014 and the changes to the liability during fiscal years ended June 30, 2014 and 2013 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2014	FY2013	FY2014	FY2013
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 15,952	\$ 12,556	\$ 647	\$ 131
Incurred claims and claim adjustment expenses	102,577	111,121	1,271	3,054
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	88,522	95,169	1,271	2,407
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	15,952	12,556	647	131
Total payments	104,474	107,725	1,918	2,538
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 14,055	\$ 15,952	\$ 0	\$ 647

C. Public Entity Pool for Liability

The State is insured through a Public Entity Pool for Liability Fund (PEPL), reported as an internal service fund. The PEPL Fund covers risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability).

All funds and agencies of the State participate in the PEPL Fund. The PEPL Fund allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund and agency based on the number of automobiles titled to each agency (for automobile liability) or approved full-time employees (for general tort liability). The PEPL Fund initially limited claims to \$1,000,000 per occurrence, subject to limitations set forth in SDCL 3-22. The State claimed sovereign immunity for all other tort liabilities. A State Supreme Court opinion allows noneconomic damages against employees of the State while they are performing ministerial acts; therefore, beginning in FY1996, the PEPL Fund coverage document was amended to provide liability coverage for noneconomic damages that are the result of these acts and commercial reinsurance was purchased. Beginning in FY2001 through FY2003 the State purchased reinsurance for claims costs over \$250,000 with 100% of the remaining \$750,000. In FY2004 the State purchased reinsurance for claims costs over \$250,000 with 90% of the remaining \$750,000. In FY2005 through FY2013 the State purchased reinsurance for claims costs over \$250,000 with 75% of the remaining \$750,000. In FY2014 the State purchased reinsurance for claims costs over \$500,000 with 100% of the remaining \$500,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of fiscal year 2014, \$4,678,360 of the net assets balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2014 and the changes to the liability during fiscal years ended June 30, 2014 and 2013 were as follows (expressed in thousands):

	FY2014	FY2013
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 5,126	\$ 4,586
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	923	993
Changes in provision for insured events of prior fiscal years	1,115	1,007
Total incurred claims and claim adjustment expenses	2,038	2,000
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	251	517
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	1,506	943
Total payments	1,757	1,460
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 5,407	\$ 5,126

D. Risk Management

The State is commercially insured for boiler insurance, aircraft, and crime bonds through outside insurance companies. Entities participating in these insurance coverages are only billed for premiums applicable to their coverage needs. The State is uninsured for property losses with the exception of all bonded buildings, all higher education facilities and buildings and certain other revenue-producing buildings that are covered through outside insurance companies.

13. OPERATING LEASES

The State of South Dakota has entered into numerous agreements to lease land, buildings, and equipment. Most operating leases contain a provision that the State may renew leases on a year-to-year basis. In most cases, management expects the leases will be renewed or replaced by other leases of a similar nature.

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 2014 (expressed in thousands):

Year Ending June 30	Primary Government	Component Units
2013	\$ 7,865	\$ 2,075
2014	7,516	1,366
2015	6,792	618
2016	6,048	327
2017	5,535	175
2018-2022	18,349	485
2023-2027	6,344	277
2028-2032	2,242	
2033-2037	162	
2038-2042		
Total Minimum Payments	<u>\$ 60,853</u>	<u>\$ 5,323</u>

The total rental expenses for all operating leases for the fiscal year ended June 30, 2014 was \$10,804,927 for the primary government and \$3,216,138 for component units.

14. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2014 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities *					
Revenue Bonds	\$ 187,854	\$ 4,500	\$ (23,597)	\$ 168,757	\$ 16,799
Less Unamortized Discount	(36)		36		
Add Unamortized Premium	9,234		(688)	8,546	33
Net Revenue Bonds **	197,052	4,500	(24,249)	177,303	16,832
Trust Certificates	13,595		(12,715)	880	310
Compensated Absences	53,730	38,155	(35,813)	56,072	30,236
Policy Claims Liability	5,126	2,038	(1,757)	5,407	1,574
Workers Compensation	23,412	4,500	(3,563)	24,349	3,134
Capital Leases	78,682	25,870	(3,825)	100,727	4,612
Pollution Remediation Obligation	13,297	1,600	(68)	14,829	200
Escheat Property (as restated)	6,792	27,589	(10,364)	24,017	9,900
Net OPEB Obligation	17,619		(17,619)		
Total Governmental Activities	\$ 409,305	\$ 104,252	\$ (109,973)	\$ 403,584	\$ 66,798
Business-type Activities					
Revenue Bonds	\$ 207,506	\$	\$ (11,796)	\$ 195,710	\$ 12,055
Add Unamortized Premium	12,398		(660)	11,738	660
Net Revenue Bonds**	219,904		(12,456)	207,448	12,715
Other Noncurrent Liabilities	188	1,704	(1,603)	289	
Compensated Absences	1,456	869	(823)	1,502	803
Total Business-type Activities	\$ 221,548	\$ 2,573	\$ (14,882)	\$ 209,239	\$ 13,518
Component Units					
Revenue Bonds	\$ 1,851,575	\$ 223,091	\$ (383,298)	\$ 1,691,368	\$ 52,991
Less Unamortized Discount	(269)	11		(258)	(11)
Add Unamortized Premium	20,361	10,361	(4,802)	25,920	1,008
Net Revenue Bonds**	1,871,667	233,463	(388,100)	1,717,030	53,988
Compensated Absences	38,333	14,744	(13,908)	39,169	12,838
Capital Leases	3,403	2,477	(2,365)	3,515	1,820
Rural Development Loans	3,887	206	(1,927)	2,166	597
Federal Portion of Perkins Loan Program	37,828	364		38,192	
Advances from Primary Government	3,326	15,803		19,129	522
Net OPEB Obligation	9,911		(9,911)		
Total Component Units	\$ 1,968,355	\$ 267,057	\$ (416,211)	\$ 1,819,201	\$ 69,765

*Governmental Activities Other Long-Term Obligations - The General Fund, special revenue and internal service funds in which the leases are recorded will liquidate the capital lease obligations. The compensated absence liability will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The workers' compensation and policy claims liabilities will be liquidated by applicable Internal Service funds which will ultimately be billed out to the applicable funds that account for the salaries and wages of the related employees. The pollution remediation obligations will be liquidated by the Petroleum Release Compensation Fund and the Department of Energy and Natural Resources – Other Fund. The escheat property obligation will be liquidated by the State's General Fund.

** The beginning Net Revenue balances do not agree with last year's ending balances due to implementation of GASB 65 which moved the Deferred Loss on Refunding to the Deferred Outflow of Resources.

Revenue Bonds and Trust Certificates

A. Governmental Activities

1. South Dakota Building Authority

The South Dakota Building Authority (SDBA) issues bonds and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of state departments and institutions. Bonds and certificates of participation are payable from revenues generated through lease agreements between the SDBA and state departments and institutions. Lease payments for bonds and certificates of participation are paid from the General Fund and other state dedicated fees of state departments, boards, and commissions, and an annuity.

The SDBA sold trust certificates to a trustee bank and assigned the right to receive lease rental payments over to the trustee bank. The principal and interest payments on the certificates are payable solely from amounts payable by the State under lease agreements. The certificates are not an indebtedness of the State within the meaning of any constitutional or statutory debt limit, nor may the certificates be a claim against the property of the SDBA.

The indebtedness or obligations incurred or created by the SDBA may not be or become a lien, charge, or liability against the State of South Dakota. This financial presentation does not change the legal liability of the indebtedness.

Following are SDBA bonds and trust certificates outstanding at June 30, 2014 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
1996A	2016	5.850% - 5.950%	\$ 4,457
2003	2015	4.000% - 4.125%	57
2006A	2026	4.250% - 5.000%	7,980
2007	2032	4.500% - 5.000%	4,275
2008	2034	4.700% - 6.760%	1,720
2010B	2035	2.750% - 6.200%	4,965
2010C	2031	3.125% - 5.850%	3,475
2010D	2019	2.250% - 3.250%	538
2013D	2038	4.980% - 5.769%	4,440
Add Unamortized Premium			340
Total Bonds			32,247
Trust Certificate Series:			
1991A	2016	6.750000%	880
Total Trust Certificates			880
Total			\$ 33,127

As of June 30, 2014, debt service requirements for principal and interest for the SDBA were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2015	\$ 3,884	\$ 4,617	\$ 8,501
2016	3,156	4,290	7,446
2017	2,912	3,966	6,878
2018	1,463	1,124	2,587
2019	1,489	1,064	2,553
2020 - 2024	8,067	4,271	12,338
2025 - 2029	7,225	2,248	9,473
2030 - 2034	3,125	939	4,064
2035 - 2039	1,465	189	1,654
Total	\$ 32,786	\$ 22,708	\$ 55,494

2. Educational Enhancement Funding Corporation

During the 2001 Legislative session, the Legislature authorized the South Dakota Building Authority to provide for the establishment of a corporation for the purpose of selling a portion or all of the State's rights, title and interest in the proceeds of the tobacco companies master settlement agreement. On July 26, 2002 the Educational Enhancement Funding Corporation was created pursuant to South Dakota Codified Law 5-12-48 through 5-12-60. The State of South Dakota gave up its rights to any proceeds of the tobacco companies master settlement agreement while the bonds are outstanding, or over the term of the bonds, whichever is shorter.

Following are Educational Enhancement Funding Corporation bonds outstanding at June 30, 2014 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
2013A	2022	1.188% - 3.539%	\$ 90,215
2013B	2027	5.00%	46,635
Add Unamortized Premium			8,206
Total			<u>\$ 145,056</u>

As of June 30, 2014, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2015	\$ 13,225	\$ 4,610	\$ 17,835
2016	12,535	4,453	16,988
2017	11,935	4,259	16,194
2018	11,500	4,031	15,531
2019	10,900	3,784	14,684
2020-2024	49,995	13,243	63,238
2025-2027	26,760	2,535	29,295
Total	<u>\$ 136,850</u>	<u>\$ 36,915</u>	<u>\$ 173,765</u>

B. Business-type Activities

South Dakota Conservancy District - State Revolving Funds

The South Dakota Conservancy District issued tax-exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). The SRF's provide low interest loans or other types of financial assistance to political units for the construction of publicly-owned wastewater treatment facilities, implementation of nonpoint source management programs, development and implementation of plans under the Estuary Protection Program, and construction and maintenance of drinking water facilities. To date, the programs have been used to make loans and refinance existing debt with a maximum of twenty years for repayment. Loans for the DWSRF can be made for 30 years, if the funds are for a disadvantaged community.

The South Dakota Conservancy District bonds do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. This financial presentation does not change the legal liability of the indebtedness.

The following is a schedule of outstanding bonds as of June 30, 2014 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Clean Water State Revolving Fund			
1996A	2017	5.625%	\$ 100
2010AB	2030-2031	4.084%-5.646%	49,800
2012AB	2027-2033	.25%-5.00%	84,320
Add Unamortized Premium			9,947
Total			144,167
Drinking Water State Revolving Fund			
2010AB	2030 - 2031	2.00%-5.646%	31,895
2012AB	2023 - 2027	.25%-5.00%	29,595
Add Unamortized Premium			1,790
Total			63,280
Total Revenue Bonds			\$ 207,447

As of June 30, 2014, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
Clean Water State Revolving Fund			
2015	\$ 7,580	\$ 5,241	\$ 12,821
2016	7,460	5,024	12,484
2017	7,500	4,800	12,300
2018	7,710	4,556	12,266
2019	7,780	4,301	12,081
2020-2024	39,425	17,567	56,992
2025-2029	38,270	8,809	47,079
2030-2033	18,495	1,556	20,051
Total	134,220	51,854	186,074
Drinking Water State Revolving Fund			
2015	4,475	2,088	6,563
2016	4,575	1,969	6,544
2017	4,685	1,844	6,529
2018	4,825	1,707	6,532
2019	4,985	1,561	6,546
2020-2024	21,155	5,791	26,946
2025-2029	13,505	2,383	15,888
2030-2033	3,285	138	3,423
Total	61,490	17,481	78,971
Total	\$ 195,710	\$ 69,335	\$ 265,045

C. Component Units

1. South Dakota Housing Development Authority

The South Dakota Housing Development Authority (SDHDA) provides mortgage financing for construction, rehabilitation, and purchase of residential housing and assists in coordinating with federal, state, regional, and local public and private efforts

with statewide housing planning. The SDHDA issues negotiable notes and bonds in amounts authorized by the Governor of South Dakota. Notes and bonds of the SDHDA do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. These notes and bonds are payable solely from the revenues or assets of the SDHDA. Following is a schedule of bonds, consolidated by category, outstanding at June 30, 2014 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Home-Ownership Mortgage Program	2014-2044	.06%-6.25%	
Serial Bonds			\$ 194,140
Term Bonds			672,992
Add Unamortized Premium			9,204
Total			876,336
Single Family Mortgage Revenue Bonds	2014-2041	1.20%-5.00%	
Serial Bonds			44,550
Term Bonds			216,845
Add Unamortized Premium			1,408
Total			262,803
Multiple Purpose Bonds	2014-2048	.14%-3.65%	
Serial Bonds			13,075
Term Bonds			15,910
Total			28,985
Multifamily Housing Revenue Bonds			
Term Bonds	2023-2044	.06%-6.15%	29,238
Multifamily Mortgage Pass-Through			
Term Bonds	2014-2015	3.75%-6.00%	1,124
Multifamily Risk Sharing Bonds			
Term Bonds	2029-2043	5.35%-5.85%	12,580
Total Bonds			\$ 1,211,066

As of June 30, 2014, debt service requirements for principal and interest for the SDHDA were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2015	\$ 29,239	\$ 37,813	\$ 67,052
2016	43,985	36,803	80,788
2017	44,520	35,393	79,913
2018	41,510	34,060	75,570
2019	38,761	32,679	71,440
2020-2024	159,111	145,554	304,665
2025-2029	163,460	116,765	280,225
2030-2034	334,270	77,038	411,308
2035-2039	222,010	29,000	251,010
2040-2044	119,352	4,514	123,866
2045-2049	4,235	145	4,380
2050-2054			
Total	\$ 1,200,453	\$ 549,764	\$ 1,750,217

2. South Dakota Economic Development Finance Authority

The South Dakota Economic Development Finance Authority (EDFA) was established for the purpose of making loans to businesses for the acquisition and/or construction of land, buildings, machinery and equipment to spawn economic growth. The EDFA is authorized by South Dakota Codified Law to provide sufficient funds for achieving any of its corporate purposes. The total outstanding amount of such notes and bonds shall not exceed \$300 million at any time. No obligation issued by the EDFA shall constitute debt or liability or obligation of the State of South Dakota, or any political subdivision or a pledge of the faith and credit of the State or any political subdivision.

The EDFA issues pooled and stand-alone bond issues. A pooled bond issue is secured by the EDFA's Capital Reserve Account. A stand-alone issue is based solely on the credit of the borrower and the EDFA acts only as a conduit to the financing. Therefore, the debt is not included in the accompanying financial statements.

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The money on deposit in the Capital Reserve Account is irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12.5% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2014, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$3,130,000.

The following is a schedule of outstanding bonds as of June 30, 2014 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
2004A	2014-2029	6.00%	\$ 3,820
2005A	2016-2026	5.75%-6.05%	3,615
2008	2015-2028	4.85%-5.875%	6,090
2009A&B	2016-2019	4.00%-5.00%	1,650
2013A	2021-2033	1.00%-5.80%	9,865
Total			\$ 25,040

As of June 30, 2014, debt service requirements for principal and interest for the EDFA were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2015	\$ 4,975	\$ 1,221	\$ 6,196
2016	1,200	1,079	2,279
2017	1,255	1,029	2,284
2018	1,300	974	2,274
2019	1,360	914	2,274
2020-2024	5,815	3,673	9,488
2025-2029	6,210	1,817	8,027
2030-2033	2,925	436	3,361
Total	\$ 25,040	\$ 11,143	\$ 36,183

3. Higher Education

a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for fiscal year 2014 equaled \$28,712,277.

Following are revenue bonds outstanding at June 30, 2014 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
School of Mines and Technology			
2003	2033	2.350%-5.300%	\$ 6,215
2008	2028	4.550%	3,360
2009	2039	2.150%-6.250%	9,360
2014A	2039	3.000%-5.000%	6,820
Less Unamortized Discount			(20)
Add Unamortized Premium			171
University of South Dakota			
2005A	2030	4.000%-5.000%	10,165
2009	2039	2.150%-6.250%	40,660
2013	2028	2.000%-5.000%	11,415
Less Unamortized Discount			(173)
Add Unamortized Premium			1,098
South Dakota State University			
2005A	2030	4.000%-5.000%	2,320
2006	2060	3.920%	5,525
2009	2039	2.150%-6.250%	29,425
2011	2031	2.000%-5.000%	56,195
2014	2025	3.000%-5.000%	22,865
Less Unamortized Discount			(62)
Add Unamortized Premium			5,216
Northern State University			
2004A	2029	3.000%-5.000%	4,620
2008	2038	4.550%	890
2009	2039	2.150%-6.250%	1,230
2011	2031	2.000%-5.000%	5,490
Less Unamortized Discount			(3)
Add Unamortized Premium			359
Dakota State University			
2004A	2025	3.000%-5.000%	2,120
2007	2029	3.760%	315
2008	2028	3.760%	3,695
Add Unamortized Premium			68
Black Hills State University			
2004A	2026	3.000%-5.000%	2,305
2006	2026	3.920%	905
2007	2029	3.880%	6,660
2014A	2039	3.000%-5.000%	10,220
Add Unamortized Premium			535
Total			\$ 249,964

As of June 30, 2014, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2015	\$ 9,365	\$ 11,136	\$ 20,501
2016	9,880	10,786	20,666
2017	10,315	10,395	20,710
2018	10,715	9,968	20,683
2019	11,140	9,500	20,640
2020-2024	63,085	39,144	102,229
2025-2029	59,165	24,047	83,212
2030-2034	48,070	11,284	59,354
2035-2039	21,040	2,143	23,183
2040-2044			
Total	\$ 242,775	\$ 128,403	\$ 371,178

b. South Dakota Building Authority (Higher Education Portion)

The South Dakota Building Authority issues bonds and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities for Higher Education institutions. Lease payments are made from tuition and fees paid by students. The obligations incurred or created by the South Dakota Building Authority may not be a lien, charge, or liability against the State of South Dakota.

Following is a schedule of bonds outstanding at June 30, 2014 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
2003	2015	4.000%-4.125%	\$ 659
2005C	2029	4.000%-5.000%	12,870
2006A	2026	4.250%-5.000%	1,735
2007	2032	4.500%-5.000%	40,400
2008	2033	4.250%-5.000%	34,705
2009	2034	4.700%-6.760%	11,665
2010A	2027	2.750%-5.650%	9,075
2010B	2035	5.800%-6.200%	8,970
2010D	2019	2.250%-3.250%	177
2011	2026	3.000%-5.000%	10,905
2011A	2026	3.000%-5.000%	6,715
2012A	2028	1.500%-5.000%	9,010
2013B	2038	4.000%-5.000%	67,340
2013C	2018	0.451%-2.197%	8,875
Add Unamortized Premium			7,861
Total Revenue Bonds			\$ 230,962

As of June 30, 2014, debt service requirements for principal and interest for the South Dakota Building Authority (Higher Education portion) were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2015	\$ 9,412	\$ 10,345	\$ 19,757
2016	9,472	10,039	19,511
2017	9,426	9,722	19,148
2018	9,747	9,382	19,129
2019	9,991	9,008	18,999
2020-2024	54,253	37,805	92,058
2025-2029	58,045	24,389	82,434
2030-2034	47,475	10,684	58,159
2035-2039	15,280	1,877	17,157
Total	\$ 223,101	\$ 123,250	\$ 346,351

Capital Leases

The State has entered into various agreements to lease buildings, vehicles, and equipment. GASB standards require a lease that transfers substantially all of the benefits and risks of ownership to the lessee be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee (a capital lease).

Capital lease obligations are recorded as liabilities in the government-wide and proprietary fund financial statements.

The following schedule is a summary of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2014 (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities	Component Units
2015	\$ 9,349	\$ 1,935
2016	9,241	1,098
2017	9,103	228
2018	8,733	130
2019	7,731	357
2020-2024	31,276	
2025-2029	29,836	
2030-2034	29,005	
2035-2039	27,899	
2040-2044	15,317	
2045-2049	8,644	
Total Minimum Lease Payments	186,134	3,748
Less: Amount Representing Interest	85,407	233
Present Value of Net Minimum Lease Payments	\$ 100,727	\$ 3,515

The historical cost and depreciation of assets acquired under capital leases and included in capital assets on the government-wide financial statements at June 30, 2014 are as follows (expressed in thousands):

	Governmental Activities
Buildings	\$ 103,283
Equipment	3,361
Vehicles	13,711
Total	120,355
Less: Accumulated Depreciation	17,608
Total, Net	\$ 102,747

Conduit Debt Obligations

Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by state government for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The State has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued and the debt is not included in the accompanying financial statements.

1. South Dakota Value Added Finance Authority

The South Dakota Value Added Finance Authority provides low interest financing to agricultural enterprises in the State of South Dakota. The loans can be used to acquire agricultural property. The Authority is authorized to issue federal tax-exempt

bonds. The bond proceeds are lent to qualifying applicants. The applicant assumes the bond payment obligation to the bond purchaser in the form of a loan with the third party bond purchaser.

As of June 30, 2014, there were 162 Beginning Farmer Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2014 could not be determined; however, the original issue amount totaled \$26,071,542.

As of June 30, 2014, there were 6 Agribusiness Bonding Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2014 could not be determined; however, the original issue amount totaled \$8,917,500.

As of June 30, 2014, there were 16 Livestock Nutrient Management Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2014 could not be determined; however, the original issue amount totaled \$8,445,490.

As part of the American Recovery and Reinvestment Act, the South Dakota Value Added Finance Authority issued 3 recovery zone bonds in state fiscal year 2011. The outstanding balance at June 30, 2014 could not be determined; however, the original issue amount totaled \$24,750,000.

2. South Dakota Economic Development Finance Authority

The Authority issues tax-exempt debt for the purpose of financing a company's acquisition and construction of land, buildings, machinery, and equipment to spawn economic growth. The bonds are special obligations of the Authority to which the payments paid by the company pursuant to a loan agreement have been and are hereby irrevocably pledged.

As of June 30, 2014, the aggregate amount of stand-alone bond principal outstanding was \$24,797,465. The original issue amount of stand-alone bonds totaled \$38,870,000.

Refunded and Defeased Bonds

In November 2013, The South Dakota Housing Development Authority issued \$49,350,000 of fixed rate Homeownership Mortgage Bonds, 2013 Series E and 2013 Series F (the "2013 EF Bonds"). The 2013 Series E bonds, totaling \$22,335,000, along with the premium generated from the bond sale, were used to refund approximately \$23,300,000 of Homeownership Mortgage Bonds, 2004 Series C (the "Refunded Bonds"). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately \$3.2 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the 2013 EF Bonds and the Refunded Bonds, net of costs of issuance, negative arbitrage and the 2004 C swap termination fee, will result in an economic gain of approximately \$1,455,000.

In January 2014, the South Dakota Board of Regents (SDBOR) issued \$39,905,000 in Revenue Bonds Series 2014A to refund the remaining Series 2004 bonds and fund additional student housing and recreational facilities projects. The refunding portion with an average interest rate of 4.69 percent was used to refund \$2,905,000 of outstanding Black Hills State University (BHSU) Series 2004 Bonds with an average interest rate of 4.05 percent and \$17,965,000 of outstanding South Dakota State University (SDSU) Series 2004 Bonds with an average interest rate of 4.79 percent. The purpose of the refunding was to reduce the SDBOR borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by \$2,375,902. This resulted in a present value savings on the SDSU bonds of \$1,820,515 and on the BHSU bonds of \$167,428. The net refunding portion of \$20,967,229 (after payment of \$208,524 in underwriting fees and other issuance costs) in addition to \$388,814 in cash from BHSU accounts was deposited in trust with an escrow agent to provide for the current refunding of the Series 2004 bonds.

In May 2014, The South Dakota Housing Development Authority issued \$46,495,000 of fixed rate Homeownership Mortgage Bonds, 2014 Series A, 2014 Series B and 2014 Series C (the "2014 ABC Bonds"). The 2014 Series A and the 2014 Series B bonds, totaling \$32,495,000, along with the premium generated from the bond sale, were used to refund approximately \$33,650,000 of Homeownership Mortgage Bonds, 2004 Series E and the 2004 Series G (the "Refunded Bonds"). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately \$10.7 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the 2014 ABC Bonds and the Refunded Bonds, net of costs of issuance, negative arbitrage and the 2004 C swap termination fee, will result in an economic gain of approximately \$3,860,000.

During the 2014 Legislative Session, House Bill 1206 was passed that escrowed \$9,675,000 of the State supported Series 1993A SLB Certificates, \$5,665,000 of the Series 2005B bonds and \$27,500,000 of the Series 2008 bonds.

In past years the SDBA defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Position. At June 30, 2014 the total amount outstanding in escrowed funds was \$42,840,000.

Pollution Remediation Obligations

The state of South Dakota has pollutions remediation obligation liabilities as of June 30, 2014 of \$14,828,700.

1. Gilt Edge Superfund Site

The state of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency for participation in the reclamation and remediation of the former Brohm Mine, the Gilt Edge Superfund Site in Lawrence County. The EPA's current estimate of total cleanup cost is \$171 million. The State is required by law to pay 10% of the total costs of reclamation and remediation of the site or \$17.1 million. The State has already spent approximately \$5.8 million with a remaining outstanding liability as of June 30, 2014 of \$11.3 million. The State's contribution to the costs of reclamation and remediation will come from the Regulated Response Fund, which has a cash balance of \$2.7 million, but will grow with future penalties collected for environmental violations deposited into the fund and interest earned on the cash deposit. After reclamation is completed, and after a holding period by the United States, the State will take control of the site and use the reclamation bond to pay 100% of the ongoing water treatment costs. The State had a cash balance of approximately \$7.9 million from the cash reclamation bond deposited by Brohm and \$8.5 million in a cash settlement as of June 30, 2014. However, actual costs incurred when the State takes control of the site cannot be anticipated at this time because the final cleanup action has not been determined yet.

2. Petroleum Release Compensation Fund

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. This fund and the requirement that the State provide reimbursement were established under SDCL 34A-13. As of June 30, 2014, PRCF was currently involved with 47 active cases, 19 active/monitoring cases, and 13 pending cases (spill report not yet filed), for a total of 79 cases. The estimated cost remaining for sites that have received at least one payment is \$428,700, the estimated cost for sites that haven't received any payments is \$2,500,000 and the estimated cost for the Abandoned Tank Removal Program is \$600,000. The total liability as of June 30, 2014 for this program is \$3,528,700. The cash balance in the PRCF on June 30, 2014 is \$4,033,415.

15. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position are presented in natural classifications. The following table presents those same expenses in functional classifications as of June 30, 2014 as recommended by NACUBO (expressed in thousands):

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest & Other Expenses	Depreciation	Total
Instruction	\$ 176,905	\$ 4,060	\$ 12,498	\$ 10,117	\$ 755	\$ 6	\$ 4,031	\$ 208,372
Research	41,953	2,912	6,640	8,408	10,042	6	4,754	74,715
Public Service	27,761	1,348	7,415	4,238	1,888	4	204	42,858
Academic Support	39,654	988	7,332	7,415	19		1,811	57,219
Student Services	32,794	5,793	7,315	5,608	188		880	52,578
Institutional Support	43,950	1,023	20,113	3,178	1,906	1,083	1,074	72,327
O&M of Plant	19,560	199	14,697	7,906	6	1	28,222	70,591
Scholarships and Fellowships	1,232	10		225	21,477	248		23,186
Auxilliary Enterprises	11,900	170	31,350	13,039	457	19	1,594	58,535
Other						120	844	964
Total	\$ 395,709	\$ 16,503	\$ 107,360	\$ 60,134	\$ 36,738	\$ 1,487	\$ 43,414	\$ 661,345

16. FUND BALANCES AND NET POSITION

Fund Balance Classifications – Governmental Funds

The following table provides additional detail regarding the fund balances reported on the Governmental Fund Balance Sheet at June 30, 2014 (expressed in thousands):

	General	Trans- portation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Non-Major Special Revenue Funds	Total
Non-Spendable							
Inventory	\$ 2,492	\$ 16,953	\$ 144	\$	\$	\$ 2,159	\$ 21,748
Prepays	1,137	334	67			1,442	2,980
Permanent Fund Principal					341,732	130,396	472,128
Total Non-Spendable Fund Balances	<u>3,629</u>	<u>17,287</u>	<u>211</u>	<u>0</u>	<u>341,732</u>	<u>133,997</u>	<u>496,856</u>
Restricted							
Education				\$ 302,362	145,923	8,663	456,948
Health and Public Assistance						56,399	56,399
Law , Justice and Public Protection						10,729	10,729
Economic Development	1,271					75,074	76,345
Transportation		107,616					107,616
Agriculture and Natural Resources						92,871	92,871
Energy Conservation or Development						11,524	11,524
Game and Fish						7,450	7,450
Parks and Recreation						3,577	3,577
Public Buildings						276	276
Public Broadcasting						416	416
Railroads						46,634	46,634
Debt Service						40,393	40,393
Capital Projects						2,034	2,034
Other	6,993					6,969	13,962
Total Restricted Fund Balances	<u>8,264</u>	<u>107,616</u>	<u>0</u>	<u>302,362</u>	<u>145,923</u>	<u>363,009</u>	<u>927,174</u>
Committed							
Education						267	267
Health and Public Assistance						5,104	5,104
Law , Justice and Public Protection						12,524	12,524
Agriculture and Natural Resources						9,161	9,161
Environmental Cleanup						4,314	4,314
Energy Conservation or Development						3,688	3,688
Public Buildings						3,128	3,128
Railroads						194	194
Other						8,386	8,386
Total Committed Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,766</u>	<u>46,766</u>
Assigned							
Education	67,669					1,078	68,747
Higher Education	7,154						7,154
Health and Public Assistance	32,099		1,160			15,543	48,802
Law , Justice and Public Protection	4,783					10,622	15,405
Agriculture and Natural Resources	4,882					1,931	6,813
Tourism Promotion	2,835						2,835
Public Buildings	6,195					3,274	9,469
Economic Development	15,392						15,392
Other	8,012					731	8,743
Total Assigned Fund Balances	<u>149,021</u>	<u>0</u>	<u>1,160</u>	<u>0</u>	<u>0</u>	<u>33,179</u>	<u>183,360</u>
Unassigned Fund Balances *	159,403					(5,040)	154,363
Total Fund Balances	<u>\$ 320,317</u>	<u>\$ 124,903</u>	<u>\$ 1,371</u>	<u>\$ 302,362</u>	<u>\$ 487,655</u>	<u>\$ 571,911</u>	<u>\$ 1,808,519</u>

* This amount includes \$105,202,000 of equity from the Budget Reserve established by the 1991 South Dakota Legislature as discussed further in the following paragraph.

Budget Reserve Account

The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund. The maximum balance of the budget reserve is 10% of the prior year's General Fund appropriation. Expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each house of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to South Dakota Constitution, Article III, Section 1. The balance in the budget reserve at June 30, 2014 was \$105,202,000 and is reported as unassigned fund balance within the General Fund.

General Fund

- **GASB 54**

With the implementation of GASB 54 in FY11, seven statutorily created accounts no longer qualify as Special Revenue Funds and were required to be combined with the State's General Fund. During FY13, an additional two funds were combined with the State's General Fund. During FY14, an additional four funds were combined with the State's General Fund. As of June 30, 2014 the following equity balances were included within the State's General Fund in accordance with GASB 54 (expressed in thousands):

Fund Balance - June 30, 2014 as reported	\$ 320,317
Less: Statutorily Created Funds Combined with the General Fund	
Property Tax Reduction - assigned for Education	48,184
Tourism Promotion - assigned for Tourism Promotion	2,835
Investment Council Operating - assigned for Other	990
Private Activity Bond - assigned for Other	170
Teen Court - assigned for Other	36
Proof of Concept - assigned for Economic Development	446
Economic Development - assigned for Economic Development	894
Local Infrastructure Improvement - assigned for Economic Development	1,491
Workforce Education - assigned for Education	27
Tax Relief - unassigned	240
Building South Dakota - assigned for Economic Development and Education	21,107
Extraordinary Litigation Expense - assigned for Other	632
Unclaimed Property - unassigned	29
Fund Balance - June 30, 2014 excluding GASB 54 combinations	<u>\$ 243,236</u>

- *The Immigrant Investor Program (EB-5 Program)*

In evaluating the contract between SDRC, Inc. and GOED, relating to the EB-5 program, it was determined the SDRC Indemnification Fund One Account should be reported in the State's General Fund. As of June 30, 2014 the following equity balances were included within the State's General Fund in (expressed in thousands):

Fund Balance - June 30, 2014 excluding GASB 54 combinations	\$ 243,236
Less: SDRC Funds Combined with the General Fund	
SDRC Indemnification Fund One Account - restricted for Economic Development	1,271
Fund Balance - June 30, 2014 excluding all combinations	<u>\$ 241,965</u>

Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$1.39 billion of restricted net position for the primary government of which \$215.2 million was restricted by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.

Funds Held as Permanent Investments

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. Funds held in Special Revenue Funds for this purpose have their principal balance classified as nonspendable in the governmental fund financial statements since these amounts are not available for appropriation. In the government-wide Statement of Net Position, the principal balance is shown as nonexpendable and the investment earnings remaining in these funds at June 30, 2014 is shown as expendable.

- *Education Enhancement Trust Fund.* This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, monies from the Youth-at-Risk Fund and General Fund appropriations for scholarship purposes. The Fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, "the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature."
- *Health Care Trust Fund.* This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature."
- *Permanent Fund.* This fund is administered by the Office of School and Public Lands and accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

These balances at June 30, 2014 are summarized as follows (expressed in thousands):

Fund	Expendable	Nonexpendable	Total Restriction
Education Enhancement Trust	145,923	341,732	487,655
Health Care Trust	46,063	85,631	131,694
Permanent	426	44,765	45,191
Total	\$ 192,412	\$ 472,128	\$ 664,540

Individual Fund Deficits

The following individual funds had deficit fund equity at June 30, 2014 (expressed in thousands):

Fund Type/Fund	Deficit
Internal Service:	
State Worker's Compensation	\$ 19,543
Special Revenue:	
Law Enforcement Revolving	1,114
Emergency Management Federal	2,578
Public Utilities Commission Federal	132

17. VOCATIONAL TECHNICAL INSTITUTES

The State primary government has an ongoing financial responsibility for the funding of four technical institutes in the State. The technical institutes are considered part of the local school districts in the district where they are located. By law, the State may adopt rules governing the operation of the technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2014, the State provided \$19,322,000 in General Fund state aid payments to the technical institutes.

Construction and renovation of facilities is funded with proceeds from debt issued by the Health and Education Facilities Authority. The Health and Educational Facilities Authority was created as a public instrumentality of the State to provide tax-exempt revenue bonds, notes, or other obligations on behalf of nonprofit health and educational institutions within the State. Although the State primary government appoints a voting majority of the board, the State's accountability for this organization does not extend beyond making the appointments and is considered a related organization of the State.

The State enters into lease purchase agreements with the Health and Educational Facilities Authority and sub-leases the facilities to the school districts. The State makes lease payments to the Health and Educational Facilities Authority from a combination of General Fund appropriations, interest earnings from a special revenue fund and from student facility fees collected by the technical institutes and remitted to the State. Upon completion of payments under the lease agreements, titles to the facilities pass to the State. The sub-lease agreements with the school districts are then extended annually as long as the school districts pay the State \$100 per year and continue to use the facilities for postsecondary vocational education. Facilities constructed or renovated and the lease purchase agreements between the State and the Health and Educational Facilities Authority are reported under the governmental activities column in the government-wide Statement of Net Position.

18. RELATED PARTY TRANSACTIONS

The Sanford Research/University of South Dakota (USD) was created by the Sioux Valley (Sanford) Health Care Systems and the USD School of Medicine to facilitate medical research and technology transfer. USD is a part of Higher Education and is a component unit of the State of South Dakota. The University of South Dakota subcontracted research awards totaling \$927,726 to Sanford Research/USD. The research conducted included areas of profiling breast cancer markers, developing immune adjuvant to improve the cure for HPV, reviewing the mechanisms of seasonal phenotypic flexibility in passerine birds, and the Center for Health Research with Tribes in SD/MT/WY. The funding sources were the National Science Foundation for \$12,671; the National Institutes of Health for \$871,732; South Dakota Governor's Research and Commercialization Council for \$38,486; and the remaining was funded from other revenues.

The South Dakota Development Corporation (SDDC) is a South Dakota non-profit corporation and a Certified Development Company created for the purpose of administering the U.S. Small Business Administration's (SBA) 503/504 loan programs and the Microloan Program. The Microloan Program was formed as a partnership between Citibank (South Dakota) N.A., the SDDC and the GOED. Citibank is no longer a part of this partnership. GOED has agreed to provide certain staff services and related support of the SBA 504 loans and Microloan Program loans made by SDDC. GOED provides these services out of GOED funds. The purpose of the SBA's 504 loan program and the Microloan program is to help facilitate economic development and the creation of jobs in South Dakota. These loans are used to assist companies either operating in the state or moving to the State. Businesses use the loan funds to expand their operations, improve their facilities, or set up operations in South Dakota. The 504 loans awarded during FY2014 were \$1,004,000. Funding for these loans came from the SBA. In addition, the SDDC has loaned out \$756,279 for the Microloan Program loans as of June 30, 2014. The SDDC returned \$2,000,000 in unused grants to the Employer's Investment in South Dakota's Future Fund in FY2014.

19. CONTINGENCIES AND LITIGATION

The State of South Dakota is party to numerous legal proceedings, many of which occur in the normal course of governmental operation. Adverse judgment of these lawsuits could negatively impact the State's financial statements. Based on prior experience, it is unlikely that the outcome of these claims will materially affect the financial position of the State. The contingencies at June 30, 2014 are as follows:

Citibank, N.A., v. South Dakota Department of Revenue. Banks and financial institutions are subject to South Dakota's Income Tax on Banks and Financial Corporations as outlined in SDCL ch. 10-43. In 2012, the Department of Revenue received claims for refund of bank franchise tax in the aggregate amount of \$29,944,132. The Department reviewed and denied the requests for refund. In March of 2013 the Office of Hearing Examiners entered its Findings of Fact, Conclusions of

Law and Final Order granting the Department's motion to dismiss. Citibank appealed the Decision and the Second Judicial Circuit Court heard oral arguments on November 18, 2013. On November 22, 2013 the Judge entered a Memorandum Decision which affirmed the Hearing Examiner's decision to dismiss Citibank's refund request for lack of jurisdiction. On January 9, 2014, Citibank, N.A. filed a Notice of Appeal, appealing the matter to the South Dakota Supreme Court. Oral arguments were heard by the Supreme Court on January 14, 2015. The Department is awaiting a decision. The Department of Revenue intends to continue to vigorously assert the correctness of the denial of the request for refund. If the Department is unsuccessful in defending against the refund action of Citibank, N.A. the state may be required to also pay interest on the refund pursuant to SDCL 10-43-55 at a fixed rate of six percent per year. The Department's counsel is not in a position to offer an opinion at this time as to the risk of an unfavorable outcome, which could have a material impact on the State's General Fund.

Citibank, N.A., v. South Dakota Department of Revenue. On November 17, 2014, the Department of Revenue received an amended tax return for the 2009-2011 tax years resulting in a request for refund of bank franchise tax in the amount of \$5,070,025 for tax year 2010. The Department reviewed and denied the requests for refund on January 21, 2015. On February 19, 2015, Citibank has exercised its right of appeal and has requested an administrative hearing to contest the denial of the request. A hearing date for this matter is pending. The Department counsel is not in a position to offer an opinion at this time to the risk of unfavorable outcome. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Northern Border Pipeline Company v. South Dakota Department of Revenue. The Department of Revenue conducted an audit of Northern Border Pipeline Company. On September 6, 2011, the Department issued a Certificate of Assessment against Northern Border Pipeline in the amount of \$5,760,120.25, consisting of \$4,160,756.59 of tax and \$1,599,374.66 of interest. On November 3, 2011, Northern Border Pipeline requested an administrative hearing contesting the assessment stating the Department made mistakes of fact or errors of law in issuing the assessment. The Department received a favorable proposed decision from the Office of Hearing Examiners and the Secretary of the Department of Revenue entered a Final Decision on September 12, 2013. Northern Border Pipeline Company appealed the Secretary's Final Decision to the Sixth Judicial Circuit Court, Hughes County, on October 10, 2013. The Circuit Court reversed the Secretary's Final Decision. The Department appealed the Circuit Court's decision the South Dakota Supreme Court and is awaiting a decision. The Department intends to continue to assert that the certificate of assessment issued is correct. If the Department is successful, the State will benefit in the amount of the certificate and accrued interest. However, due to the nature of the litigation counsel is not in a position to give any opinion at this time as to the risk of a favorable or unfavorable outcome regarding this matter. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Midwest Railcar Repair, Inc. v. South Dakota Department of Revenue. Midwest Railcar Repair requested an administrative hearing concerning a Certificate of Assessment issued January 31, 2007. Midwest Railcar Repair also filed requests for sales tax refunds exceeding \$1,000,000 along with any interest pursuant to SDCL 10-59-24. The audit assessment and refund issues are currently pending before the South Dakota Supreme Court. The Department is vigorously defending this action however; due to the nature of procedural and substantive defenses, counsel is not in a position at this time to give any opinion as to the risk of an unfavorable outcome regarding this case. If the decision is unfavorable, it could have a material impact on the State's General Fund.

South Dakota Department of Transportation Workers Compensation Claim. On November 16, 2011, an employee of the South Dakota Department of Transportation was involved in a car accident. The employee was on the way back from a work trip to Yankton. The car accident occurred in an area where the employee would not have been expected or required to travel for their employment on that day. The claim for workers' compensation benefits was denied on the basis the car accident occurred outside the scope of employment with South Dakota Department of Transportation. The claimant's attorney filed a Petition for medical and indemnity/disability benefits. The Workers' Compensation Program plans to contest the responsibility and liability and defend vigorously on the basis the car accident did not arise out of and in the course of employment. The Present Value of indemnity/disability benefits is \$462,856.56. An estimate of the medical expenses will exceed \$1,000,000. On June 19, 2013, the South Dakota Department of Labor and Regulation ruled the injury arose out of and in the course of employment. The Workers' Compensation Office appealed to Circuit Court in Hughes County. On March 25, 2014, the Circuit Court reversed the Department of Labor and Regulation's decision and said the claim was not compensable. The claimant has appealed to the SD Supreme Court. If the decision is unfavorable, it could have a material impact on the State Employee Workers' Compensation Fund.

In Re: 2004 NPM Adjustment Proceedings. In 1998 the largest tobacco manufacturers and the states entered into the Master Settlement Agreement (MSA). Under the terms of the MSA, South Dakota receives approximately \$23 million per year in exchange for diligently enforcing its tobacco enforcement statutes, including against tobacco companies that are not part of the MSA. In 2002 and again in 2013 South Dakota securitized its annual payments from the MSA. The tobacco

companies are alleging that all of the states failed to diligently enforce their tobacco statutes in 2004. The MSA requires a neutral arbitration panel to determine if a state diligently enforced its statutes. The process to arbitrate that issue has been started. If it is found that South Dakota did not diligently enforce the statutes in 2004, the State would need to repay the \$23 million it received for 2004. The State intends to assert that all statutes were diligently enforced. If the decision is unfavorable, it could have a material impact on the State's Tobacco Securitization Debt Service Fund.

Target National Bank v. South Dakota Department of Revenue. Target National Bank filed amended South Dakota Franchise Tax on Financial Institutions returns for the tax years 2010, 2011, and 2012. The amended returns seek a refund of previously paid bank franchise tax in the amount of \$3,030,143. The Department of Revenue denied Target National Bank's request for refund. Target has requested an administrative hearing to contest the denial for the request for refund. The matter is pending. The Department of Revenue intends to continue to vigorously assert the correctness of the denial of the request for refund. If the Department is unsuccessful in defending against the refund action Target National Bank, the state may be required to also pay interest on the refund pursuant to SDCL 10-43-55 at a fixed rate of six percent per year. The Department's counsel is not in a position to offer an opinion at this time as to the risk of an unfavorable outcome, which could have a material impact on the State's General Fund.

20. SUBSEQUENT EVENTS

Department of Environment & Natural Resources

In October 2014, the South Dakota Conservancy District issued the Series 2014 State Revolving Fund Program Bonds: \$9,060,000 Series 2014A Taxable Revenue Bonds and \$50,775,000 Series 2014B Tax-Exempt Revenue Bonds.

South Dakota Building Authority

On August 28, 2014, the South Dakota Building Authority issued the \$35,820,000 Series 2014A Tax-Exempt Revenue bonds, the \$5,250,000 Series 2014B Tax-Exempt Refunding Revenue bonds and the \$7,180,000 Series 2014C Taxable Refunding Revenue Bonds.

On December 3, 2014, the South Dakota Building Authority issued the \$7,505,000 Series 2014D Tax-Exempt Refunding Revenue bonds, the \$35,455,000 Series 2014E Tax-Exempt Refunding Revenue bonds and the \$8,785,000 Series 2014F Taxable Refunding Revenue Bonds.

On July 10, 2014, the South Dakota Building Authority transferred the unused balance of the funds used to escrow Series 1993A certificates, Series 2005B bonds and Series 2008 bonds in the amount of \$1,190,692 back to the State of South Dakota per House Bill 1206.

Governor's Office of Economic Development

Total loan funding for the Revolving Economic Development and Initiative Fund and the Economic Development Finance Authority since June 30, 2014 was \$9,688,100 and \$106,250 respectively.

South Dakota Board of Regents

On September 16, 2014, the South Dakota Board of Regents issued \$13,760,000 of Housing and Auxiliary Facilities System Revenue Bonds, 2014B. The bonds were issued to (i) pay the costs of improvements to, or remodeling or renovation of, student housing at South Dakota School of Mines & Technology, (ii) provide a portion of the funds for the current refunding of the South Dakota Board of Regents South Dakota School of Mines and Technology Housing and Auxiliary Facilities Revenue Bonds, Series 2003, and the South Dakota Board of Regents Housing and Auxiliary Facilities Revenue Bonds, Series 2004A; (iii) pay certain expenses incident to the issuance of the Series 2014B Bonds.

South Dakota Housing Development Authority

On November 20, 2014, the SDHDA Board of Commissioners authorized the issuance of Homeownership Mortgage Bonds, 2014 Series DEF in the amount of \$110,560,000.

Series D - \$51,545,000
Series E - \$20,000,000
Series F - \$39,015,000



REQUIRED SUPPLEMENTARY INFORMATION

The *Required Supplementary Information* includes the Budgetary Reporting Information. The following individual statements are included:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Transportation Fund
- Budgetary Comparison Schedule – Social Services Federal Fund
- Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation
- Notes to Required Supplementary Information – Budgetary Reporting

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
OFFICE OF THE GOVERNOR				
Personal Services	\$ 1,749	\$ 1,767	\$ 1,767	\$ 0
Operating Expenses	394	406	406	0
TOTAL	2,143	2,173	2,173	0
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	75	75	75	0
TOTAL	75	75	75	0
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,806	1,820	1,627	193
Operating Expenses	5,186	5,693	1,386	4,307
TOTAL	6,992	7,513	3,013	4,500
OFFICE OF RESEARCH COMMERCE				
Personal Services	167	171	171	0
Operating Expenses	3,690	3,690	3,690	0
TOTAL	3,857	3,861	3,861	0
LIEUTENANT GOVERNOR				
Personal Services	20	20	20	0
Operating Expenses	13	13	13	0
TOTAL	33	33	33	0
BUILDING SOUTH DAKOTA FUND				
Personal Services	0	0	0	0
Operating Expenses	0	30,000	30,000	0
TOTAL	0	30,000	30,000	0
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	599	619	619	0
Operating Expenses	274	72,523	56,519	16,004
TOTAL	873	73,142	57,138	16,004
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	5,000	5,000	5,000	0
TOTAL	5,000	5,000	5,000	0
EMPLOYEE COMPENSATION				
Personal Services	33	33	0	33
Operating Expenses	0	0	0	0
TOTAL	33	33	0	33
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	740	740	669	71
TOTAL	740	740	669	71
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	395	395	395	0
TOTAL	395	395	395	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
CENTRAL SERVICES				
Personal Services	\$ 171	\$ 177	\$ 177	\$ 0
Operating Expenses	208	208	208	0
TOTAL	379	385	385	0
STATEWIDE MAINTENANCE & REPAIR				
Personal Services	0	0	0	0
Operating Expenses	16,157	16,157	6,938	9,219
TOTAL	16,157	16,157	6,938	9,219
OFFICE OF HEARING EXAMINERS				
Personal Services	238	247	234	13
Operating Expenses	68	69	69	0
TOTAL	306	316	303	13
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	2,499	2,564	2,564	0
Operating Expenses	1,221	1,229	1,229	0
TOTAL	3,720	3,793	3,793	0
STATE RADIO ENGINEERING				
Personal Services	625	646	646	0
Operating Expenses	2,179	2,178	2,178	0
TOTAL	2,804	2,824	2,824	0
PERSONNEL MANAGEMENT & EMPLOYEE BENEFITS				
Personal Services	193	200	200	0
Operating Expenses	58	60	60	0
TOTAL	251	260	260	0
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	8,100	8,264	8,025	239
Operating Expenses	35,658	138,436	108,835	29,601
TOTAL	43,758	146,700	116,860	29,840
PROPERTY AND SPECIAL TAXES				
Personal Services	857	886	882	4
Operating Expenses	807	1,295	780	515
TOTAL	1,664	2,181	1,662	519
DEPARTMENT TOTAL, REVENUE				
Personal Services	857	886	882	4
Operating Expenses	807	1,295	780	515
TOTAL	1,664	2,181	1,662	519
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	624	644	644	0
Operating Expenses	175	177	177	0
TOTAL	799	821	821	0
AGRICULTURAL SERVICES & ASSISTANCE				
Personal Services	1,273	1,254	1,254	0
Operating Expenses	567	560	560	0
TOTAL	1,840	1,814	1,814	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with
	Original	Final		Final Budget
AGRICULTURAL DEVELOPMENT & PROMOTION				
Personal Services	\$ 820	\$ 983	\$ 983	\$ 0
Operating Expenses	1,210	3,163	3,108	55
TOTAL	2,030	4,146	4,091	55
ANIMAL INDUSTRY BOARD				
Personal Services	1,600	1,569	1,569	0
Operating Expenses	298	310	310	0
TOTAL	1,898	1,879	1,879	0
STATE FAIR				
Personal Services	0	0	0	0
Operating Expenses	269	270	270	0
TOTAL	269	270	270	0
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	4,317	4,450	4,450	0
Operating Expenses	2,519	4,480	4,425	55
TOTAL	6,836	8,930	8,875	55
HISTORY				
Personal Services	866	896	896	0
Operating Expenses	975	1,004	1,004	0
TOTAL	1,841	1,900	1,900	0
DEPARTMENT TOTAL, TOURISM				
Personal Services	866	896	896	0
Operating Expenses	975	1,004	1,004	0
TOTAL	1,841	1,900	1,900	0
ADMINISTRATION, SECRETARY OF GAME, FISH & PARKS				
Personal Services	103	106	106	0
Operating Expenses	821	821	821	0
TOTAL	924	927	927	0
STATE PARKS & RECREATION				
Personal Services	2,391	2,464	2,464	0
Operating Expenses	1,148	1,319	1,319	0
TOTAL	3,539	3,783	3,783	0
DEVELOPMENT & IMPROVEMENT, PARKS & RECREATION				
Personal Services	0	0	0	0
Operating Expenses	4,000	4,047	315	3,732
TOTAL	4,000	4,047	315	3,732
DEPARTMENT TOTAL, GAME, FISH & PARKS				
Personal Services	2,494	2,570	2,570	0
Operating Expenses	5,969	6,187	2,455	3,732
TOTAL	8,463	8,757	5,025	3,732
OFFICE OF TRIBAL RELATIONS				
Personal Services	326	336	326	10
Operating Expenses	68	70	70	0
TOTAL	394	406	396	10

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with
	Original	Final		Final Budget
DEPARTMENT TOTAL, TRIBAL RELATIONS				
Personal Services	\$ 326	\$ 336	\$ 326	\$ 10
Operating Expenses	68	70	70	0
TOTAL	394	406	396	10
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	3,995	4,135	4,135	0
Operating Expenses	4,130	4,345	4,345	0
TOTAL	8,125	8,480	8,480	0
ECONOMIC ASSISTANCE				
Personal Services	7,325	7,582	7,582	0
Operating Expenses	16,608	19,213	18,919	294
TOTAL	23,933	26,795	26,501	294
MEDICAL AND ADULT SERVICES				
Personal Services	2,829	2,928	2,928	0
Operating Expenses	303,636	265,732	261,060	4,672
TOTAL	306,465	268,660	263,988	4,672
CHILDREN'S SERVICES				
Personal Services	10,629	11,003	11,003	0
Operating Expenses	31,054	31,061	30,382	679
TOTAL	41,683	42,064	41,385	679
BEHAVIORAL HEALTH				
Personal Services	26,802	27,746	27,746	0
Operating Expenses	39,657	39,823	38,886	937
TOTAL	66,459	67,569	66,632	937
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	51,580	53,394	53,394	0
Operating Expenses	395,085	360,174	353,592	6,582
TOTAL	446,665	413,568	406,986	6,582
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	659	680	680	0
Operating Expenses	621	594	594	0
TOTAL	1,280	1,274	1,274	0
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,500	1,547	1,547	0
Operating Expenses	1,096	1,329	1,224	105
TOTAL	2,596	2,876	2,771	105
HEALTH AND MEDICAL SERVICES				
Personal Services	1,778	1,834	1,834	0
Operating Expenses	2,854	2,845	2,844	1
TOTAL	4,632	4,679	4,678	1
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,937	4,061	4,061	0
Operating Expenses	4,571	4,768	4,662	106
TOTAL	8,508	8,829	8,723	106

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	309	309	309	0
TOTAL	309	309	309	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	557	576	576	0
Operating Expenses	91	92	92	0
TOTAL	648	668	668	0
SOUTH DAKOTA RETIREMENT SYSTEM				
Personal Services	0	0	0	0
Operating Expenses	0	5,598	5,598	0
TOTAL	0	5,598	5,598	0
DEPARTMENT TOTAL, LABOR & REGULATION				
Personal Services	557	576	576	0
Operating Expenses	400	5,999	5,999	0
TOTAL	957	6,575	6,575	0
GENERAL OPERATIONS				
Personal Services	477	491	491	0
Operating Expenses	26	7,726	7,726	0
TOTAL	503	8,217	8,217	0
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	477	491	491	0
Operating Expenses	26	7,726	7,726	0
TOTAL	503	8,217	8,217	0
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	1,481	1,431	1,431	0
Operating Expenses	1,508	1,478	1,457	21
TOTAL	2,989	2,909	2,888	21
STATE AID TO GENERAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	331,096	327,134	327,134	0
TOTAL	331,096	327,134	327,134	0
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	53,045	52,070	52,070	0
TOTAL	53,045	52,070	52,070	0
SPARSITY PAYMENTS				
Personal Services	0	0	0	0
Operating Expenses	1,844	1,870	1,870	0
TOTAL	1,844	1,870	1,870	0
CONSOLIDATION INCENTIVES				
Personal Services	0	0	0	0
Operating Expenses	56	56	56	0
TOTAL	56	56	56	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
NONRECURRING TECHNOLOGY INFRASTRUCTURE UPDRADE FUNDING				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	500	500	500	0
TOTAL	500	500	500	0
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	6,977	8,141	8,141	0
TOTAL	6,977	8,141	8,141	0
POST-SECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	21,555	21,072	21,072	0
TOTAL	21,555	21,072	21,072	0
NONRECURRING POST-SECONDARY TECHNICAL INSTITUTE FUNDING				
Personal Services	0	0	0	0
Operating Expenses	500	500	500	0
TOTAL	500	500	500	0
EDUCATION RESOURCES				
Personal Services	1,287	1,379	1,379	0
Operating Expenses	12,207	12,476	8,049	4,427
TOTAL	13,494	13,855	9,428	4,427
STATE LIBRARY				
Personal Services	1,172	1,167	1,167	0
Operating Expenses	593	532	531	1
TOTAL	1,765	1,699	1,698	1
DEPARTMENT TOTAL, EDUCATION				
Personal Services	3,940	3,977	3,977	0
Operating Expenses	429,881	425,829	421,380	4,449
TOTAL	433,821	429,806	425,357	4,449
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	114	118	118	0
Operating Expenses	13	14	14	0
TOTAL	127	132	132	0
HIGHWAY PATROL				
Personal Services	1,166	1,185	997	188
Operating Expenses	122	1,561	161	1,400
TOTAL	1,288	2,746	1,158	1,588
EMERGENCY SERVICES & HOMELAND SECURITY				
Personal Services	1,161	1,197	1,197	0
Operating Expenses	2,962	2,933	2,931	2
TOTAL	4,123	4,130	4,128	2
LEGAL AND REGULATORY SERVICES				
Personal Services	61	63	61	2
Operating Expenses	616	632	632	0
TOTAL	677	695	693	2

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	\$ 2,502	\$ 2,563	\$ 2,373	\$ 190
Operating Expenses	3,713	5,140	3,738	1,402
TOTAL	6,215	7,703	6,111	1,592
REGENTS CENTRAL OFFICE				
Personal Services	3,845	3,943	3,943	0
Operating Expenses	11,711	12,298	10,575	1,723
TOTAL	15,556	16,241	14,518	1,723
BOARD OF REGENTS RESEARCH GRANT POOL				
Personal Services	0	0	0	0
Operating Expenses	1,000	1,000	1,000	0
TOTAL	1,000	1,000	1,000	0
SOUTH DAKOTA SCHOLARSHIPS				
Personal Services	0	0	0	0
Operating Expenses	4,391	4,483	4,483	0
TOTAL	4,391	4,483	4,483	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	29,504	31,210	31,210	0
Operating Expenses	2,971	4,751	3,751	1,000
TOTAL	32,475	35,961	34,961	1,000
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	16,759	17,212	17,212	0
Operating Expenses	2,955	2,955	2,955	0
TOTAL	19,714	20,167	20,167	0
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	36,301	38,689	38,689	0
Operating Expenses	4,227	6,419	4,382	2,037
TOTAL	40,528	45,108	43,071	2,037
COOPERATIVE EXTENSION SERVICE				
Personal Services	7,626	7,927	7,927	0
Operating Expenses	329	329	329	0
TOTAL	7,955	8,256	8,256	0
AGRICULTURAL EXPERIMENT STATION				
Personal Services	10,688	11,034	11,034	0
Operating Expenses	577	577	577	0
TOTAL	11,265	11,611	11,611	0
NONRECURRING AGR EXP STA RESEARCH POOL				
Personal Services	0	0	0	0
Operating Expenses	500	500	500	0
TOTAL	500	500	500	0
SOUTH DAKOTA SCHOOL OF MINES & TECHNOLOGY				
Personal Services	14,310	14,642	14,454	188
Operating Expenses	1,069	1,865	1,591	274
TOTAL	15,379	16,507	16,045	462

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
NORTHERN STATE UNIVERSITY				
Personal Services	\$ 11,125	\$ 11,707	\$ 11,707	\$ 0
Operating Expenses	831	977	977	0
TOTAL	11,956	12,684	12,684	0
BLACK HILLS STATE UNIVERSITY				
Personal Services	7,544	8,221	8,213	8
Operating Expenses	680	730	729	1
TOTAL	8,224	8,951	8,942	9
DAKOTA STATE UNIVERSITY				
Personal Services	8,698	9,177	8,552	625
Operating Expenses	714	744	674	70
TOTAL	9,412	9,921	9,226	695
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	1,518	1,512	1,512	0
Operating Expenses	1,141	1,186	1,186	0
TOTAL	2,659	2,698	2,698	0
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,446	2,516	2,516	0
Operating Expenses	249	239	239	0
TOTAL	2,695	2,755	2,755	0
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	150,364	157,790	156,969	821
Operating Expenses	33,345	39,053	33,948	5,105
TOTAL	183,709	196,843	190,917	5,926
ADJUTANT GENERAL				
Personal Services	447	462	455	7
Operating Expenses	498	432	432	0
TOTAL	945	894	887	7
ARMY GUARD				
Personal Services	314	324	323	1
Operating Expenses	2,704	2,910	2,910	0
TOTAL	3,018	3,234	3,233	1
AIR GUARD				
Personal Services	176	182	178	4
Operating Expenses	203	247	245	2
TOTAL	379	429	423	6
DEPARTMENT TOTAL, MILITARY				
Personal Services	937	968	956	12
Operating Expenses	3,405	3,589	3,587	2
TOTAL	4,342	4,557	4,543	14
VETERANS' BENEFITS AND SERVICES				
Personal Services	930	929	914	15
Operating Expenses	1,934	1,988	1,191	797
TOTAL	2,864	2,917	2,105	812

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE VETERANS' HOME				
Personal Services	\$ 1,601	\$ 1,695	\$ 1,695	\$ 0
Operating Expenses	704	17,011	3,116	13,895
TOTAL	2,305	18,706	4,811	13,895
DEPARTMENT TOTAL, VETERANS' AFFAIRS				
Personal Services	2,531	2,624	2,609	15
Operating Expenses	2,638	18,999	4,307	14,692
TOTAL	5,169	21,623	6,916	14,707
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,427	1,559	1,559	0
Operating Expenses	682	609	609	0
TOTAL	2,109	2,168	2,168	0
MIKE DURFEE STATE PRISON				
Personal Services	10,026	10,434	10,434	0
Operating Expenses	5,194	5,155	5,155	0
TOTAL	15,220	15,589	15,589	0
STATE PENITENTIARY				
Personal Services	14,655	15,786	15,786	0
Operating Expenses	4,206	5,052	5,050	2
TOTAL	18,861	20,838	20,836	2
WOMEN'S PRISON				
Personal Services	3,449	3,519	3,519	0
Operating Expenses	1,285	1,387	1,387	0
TOTAL	4,734	4,906	4,906	0
INMATE SERVICES				
Personal Services	801	904	904	0
Operating Expenses	17,188	20,768	20,768	0
TOTAL	17,989	21,672	21,672	0
PAROLE SERVICES				
Personal Services	2,776	2,859	2,859	0
Operating Expenses	1,581	1,764	1,764	0
TOTAL	4,357	4,623	4,623	0
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	2,626	2,612	2,612	0
Operating Expenses	13,625	11,027	11,027	0
TOTAL	16,251	13,639	13,639	0
YOUTH CHALLENGE CENTER				
Personal Services	1,372	1,454	1,454	0
Operating Expenses	107	107	107	0
TOTAL	1,479	1,561	1,561	0
PATRICK HENRY BRADY ACADEMY				
Personal Services	1,393	1,460	1,460	0
Operating Expenses	90	103	103	0
TOTAL	1,483	1,563	1,563	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	\$ 2,390	\$ 2,417	\$ 2,415	\$ 2
Operating Expenses	2,127	2,174	2,174	0
TOTAL	4,517	4,591	4,589	2
QUEST/ExCEL				
Personal Services	1,483	1,227	1,227	0
Operating Expenses	110	123	123	0
TOTAL	1,593	1,350	1,350	0
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	42,398	44,231	44,229	2
Operating Expenses	46,195	48,269	48,267	2
TOTAL	88,593	92,500	92,496	4
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	548	570	506	64
Operating Expenses	281	281	281	0
TOTAL	829	851	787	64
DEVELOPMENTAL DISABILITIES				
Personal Services	658	684	644	40
Operating Expenses	49,672	50,022	50,022	0
TOTAL	50,330	50,706	50,666	40
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	8,470	8,807	8,518	289
Operating Expenses	2,254	2,181	2,122	59
TOTAL	10,724	10,988	10,640	348
REHABILITATION SERVICES				
Personal Services	747	777	777	0
Operating Expenses	3,503	3,305	3,304	1
TOTAL	4,250	4,082	4,081	1
SERVICES TO THE BLIND & VISUALLY IMPAIRED				
Personal Services	453	471	471	0
Operating Expenses	465	465	465	0
TOTAL	918	936	936	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	10,876	11,309	10,916	393
Operating Expenses	56,175	56,254	56,194	60
TOTAL	67,051	67,563	67,110	453
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	1,904	1,955	1,955	0
Operating Expenses	339	1,342	342	1,000
TOTAL	2,243	3,297	2,297	1,000
ENVIRONMENTAL SERVICES				
Personal Services	3,049	3,130	3,130	0
Operating Expenses	560	568	568	0
TOTAL	3,609	3,698	3,698	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with
	Original	Final		Final Budget
DEPARTMENT TOTAL, ENVIRONMENT & NATURAL RESOURCES				
Personal Services	\$ 4,953	\$ 5,085	\$ 5,085	\$ 0
Operating Expenses	899	1,910	910	1,000
TOTAL	5,852	6,995	5,995	1,000
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	440	451	451	0
Operating Expenses	52	52	52	0
TOTAL	492	503	503	0
DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION				
Personal Services	440	451	451	0
Operating Expenses	52	52	52	0
TOTAL	492	503	503	0
UNIFIED JUDICIAL SYSTEM				
Personal Services	33,532	34,565	34,565	0
Operating Expenses	4,552	4,958	4,483	475
TOTAL	38,084	39,523	39,048	475
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	33,532	34,565	34,565	0
Operating Expenses	4,552	4,958	4,483	475
TOTAL	38,084	39,523	39,048	475
LEGISLATIVE OPERATIONS				
Appropriation	5,503	5,575	5,575	0
TOTAL	5,503	5,575	5,575	0
NONRECURRING TECHNOLOGY INFRASTRUCTURE UPGRADE FUNDING				
Personal Services	0	0	0	0
Operating Expenses	0	500	500	0
TOTAL	0	500	500	0
AUDITOR GENERAL				
Personal Services	2,739	2,682	2,661	21
Operating Expenses	331	442	436	6
TOTAL	3,070	3,124	3,097	27
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	2,739	2,682	2,661	21
Operating Expenses	331	942	936	6
Appropriation	5,503	5,575	5,575	0
TOTAL	8,573	9,199	9,172	27
LEGAL SERVICES PROGRAM				
Personal Services	3,845	3,942	3,942	0
Operating Expenses	512	555	555	0
TOTAL	4,357	4,497	4,497	0
CRIMINAL INVESTIGATION				
Personal Services	3,515	3,604	3,604	0
Operating Expenses	2,222	2,205	2,205	0
TOTAL	5,737	5,809	5,809	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
LAW ENFORCEMENT TRAINING				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	358	369	369	0
TOTAL	358	369	369	0
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	7,360	7,546	7,546	0
Operating Expenses	3,092	3,129	3,129	0
TOTAL	10,452	10,675	10,675	0
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	407	373	373	0
Operating Expenses	613	660	182	478
TOTAL	1,020	1,033	555	478
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	407	373	373	0
Operating Expenses	613	660	182	478
TOTAL	1,020	1,033	555	478
SECRETARY OF STATE				
Personal Services	667	689	688	1
Operating Expenses	378	389	363	26
TOTAL	1,045	1,078	1,051	27
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	667	689	688	1
Operating Expenses	378	389	363	26
TOTAL	1,045	1,078	1,051	27
TREASURY MANAGEMENT				
Personal Services	363	374	368	6
Operating Expenses	142	144	131	13
TOTAL	505	518	499	19
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	363	374	368	6
Operating Expenses	142	144	131	13
TOTAL	505	518	499	19
STATE AUDITOR				
Personal Services	1,062	1,094	1,022	72
Operating Expenses	138	140	126	14
TOTAL	1,200	1,234	1,148	86
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	1,062	1,094	1,022	72
Operating Expenses	138	140	126	14
TOTAL	1,200	1,234	1,148	86
STATE TOTAL				
Personal Services	\$ 338,582	\$ 352,245	\$ 350,459	\$ 1,786
Operating Expenses	\$ 1,031,627	\$ 1,139,596	\$ 1,071,281	\$ 68,315
Appropriation	\$ 5,503	\$ 5,575	\$ 5,575	\$ 0
TOTAL	\$ 1,375,712	\$ 1,497,416	\$ 1,427,315	\$ 70,101

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
GENERAL OPERATIONS				
Personal Services	\$ 62,660	\$ 64,583	\$ 60,799	\$ 3,784
Operating Expenses	129,790	129,990	108,147	21,843
TOTAL	192,450	194,573	168,946	25,627
CONTRACT CONSTRUCTION--INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	421,045	451,327	428,829	22,498
TOTAL	421,045	451,327	428,829	22,498
ENFORCEMENT				
Personal Services	12,652	13,118	12,355	763
Operating Expenses	6,137	6,163	6,162	1
TOTAL	18,789	19,281	18,517	764
FUND TOTAL, TRANSPORTATION				
Personal Services	\$ 75,312	\$ 77,701	\$ 73,154	\$ 4,547
Operating Expenses	\$ 556,972	\$ 587,480	\$ 543,138	\$ 44,342
TOTAL	\$ 632,284	\$ 665,181	\$ 616,292	\$ 48,889

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FEDERAL FUND
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION				
Personal Services	\$ 5,190	\$ 5,371	\$ 4,703	\$ 668
Operating Expenses	15,136	15,437	6,187	9,250
TOTAL	20,326	20,808	10,890	9,918
ECONOMIC ASSISTANCE				
Personal Services	10,278	10,635	9,276	1,359
Operating Expenses	49,637	49,644	41,777	7,867
TOTAL	59,915	60,279	51,053	9,226
MEDICAL AND ADULT SERVICES				
Personal Services	5,948	6,155	4,555	1,600
Operating Expenses	504,502	463,458	409,835	53,623
TOTAL	510,450	469,613	414,390	55,223
CHILDREN'S SERVICES				
Personal Services	9,066	9,381	7,612	1,769
Operating Expenses	41,132	41,140	31,288	9,852
TOTAL	50,198	50,521	38,900	11,621
BEHAVIORAL HEALTH				
Personal Services	9,765	10,105	8,923	1,182
Operating Expenses	27,875	27,906	21,772	6,134
TOTAL	37,640	38,011	30,695	7,316
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	\$ 40,247	\$ 41,647	\$ 35,069	\$ 6,578
Operating Expenses	\$ 638,282	\$ 597,585	\$ 510,859	\$ 86,726
TOTAL	\$ 678,529	\$ 639,232	\$ 545,928	\$ 93,304

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Social Services Federal Fund</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,427,315	\$ 616,292	\$ 545,928
Differences-budget to GAAP:			
Encumbrances for supplies, equipment ordered but not yet received and for uncompleted contracts are reported in the year first encumbered for budgetary purposes, but expenditures are reported in the year the related expenditure is incurred for financial reporting purposes.	(13,476)	(14,038)	(23)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(52,255)		
To adjust expenditures/expenses for accruals and other year-end entries such as the recording of food stamps and shared revenue distribution	18,872	(5,077)	148,356
To adjust expenditures/expenses for reclassification under GASB 54	<u>33,410</u>	<u></u>	<u></u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 1,413,866</u>	<u>\$ 597,177</u>	<u>\$ 694,261</u>

Required Supplementary Information

Notes to Required Supplementary Information - Budgetary Reporting

The Budgetary Comparison Schedule presents comparisons of the original budget and legally revised final budget, with actual amounts for each program of the State of South Dakota on a budgetary basis. A Budgetary Comparison Schedule is presented for the General Fund and for each major special revenue fund that has a legally adopted annual budget. There are currently two major special revenue funds that fit this criterion: the Social Services Federal Fund and the Transportation Fund. The Budget Comparison Schedule follows the same format, terminology, and classification as the State's General Appropriations Act (General Bill). Also included is a column that compares the variance between the final budget and actual amounts. A positive variance refers to unused budget, while a negative variance refers to an over-expended budget. For the year ended June 30, 2014, there were no over-expenditures by any State department.

The original budget is defined as the first complete appropriated budget, adjusted by reserves, transfers, allocations, supplemental appropriations, reorganizations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. Any such transaction that is authorized as legislative or executive change before the beginning of the fiscal year is included in the original budget, regardless of the effective date of the document loaded on the accounting system. The amount appropriated for employee compensation in the General Bill is reported as distributed to the departments and programs. Any of these adjustments may change the format, terminology, or classification of a Budget Comparison Schedule. The original budget also includes any actual appropriation amounts carried forward by law from prior years, including special appropriations, maintenance and repair, and carryovers. The final budget is defined as the original budget, adjusted by all reserves, transfers, allocations, supplemental appropriations, reorganizations, and other legally authorized legislative and executive changes after the beginning of the fiscal year.

The Budgetary Comparison Schedule reports amounts on a budgetary basis. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Since the budget is prepared principally on a cash basis, the Budgetary Comparison Schedule includes information presented on this basis for the fiscal year. A reconciliation of the two methods for the fiscal year ended June 30, 2014 has also been included as Required Supplementary Information.



COMBINING FINANCIAL STATEMENTS

The *Combining Financial Statements* include the Nonmajor Governmental Funds, Nonmajor Enterprise Funds, Internal Service Funds, Fiduciary Funds, Component Units and Nonmajor Component Units. The following individual statements are included:

- Combining Balance Sheet – Nonmajor Governmental Funds – By Type
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – By Type
- Combining Balance Sheet – Nonmajor Special Revenue Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds
- Combining Balance Sheet – Nonmajor Debt Service Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds
- Combining Statement of Net Position – Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds
- Combining Statement of Cash Flows – Nonmajor Enterprise Funds
- Combining Statement of Net Position – Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds
- Combining Statement of Cash Flows – Internal Service Funds
- Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statement of Fiduciary Assets and Liabilities – Agency Funds
- Combining Statement of Changes in Assets and Liabilities – Agency Funds
- Combining Statement of Net Position – Component Units
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Component Units
- Statement of Cash Flows – Higher Education
- Combining Statement of Net Position – Nonmajor Component Units
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Component Units

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2014
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Assets					
Cash and Cash Equivalents	\$ 347,972	\$ 6,839	\$ 2,743	\$ 1,577	\$ 359,131
Restricted Cash		4			4
Investments	117,954	13,380		43,852	175,186
Restricted Investments		20,168			20,168
Receivables From:					
Taxes, net	3,133				3,133
Interest and Dividends	1,397	1	15	118	1,531
Other Funds	4,179				4,179
Component Units	89				89
Other Governments	81,092				81,092
Loans and Notes, net	64,593				64,593
Other, net	5,655	11,779		64	17,498
Inventory	2,159				2,159
Advances to Component Units	1,143				1,143
Other Assets	1,434	8			1,442
Total Assets	\$ 630,800	\$ 52,179	\$ 2,758	\$ 45,611	\$ 731,348
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 36,105	\$	\$ 655	\$ 125	\$ 36,885
Payable To:					
Other Funds	26,080		69	295	26,444
Component Units	1,768				1,768
Other Governments	62,351				62,351
Claims, Judgments and Compensated Absences	63				63
Unearned Revenue	16,798				16,798
Total Liabilities	143,165	0	724	420	144,309
Deferred Inflows of Resources:					
Unavailable Revenue	3,350	11,778			15,128
Total Deferred Inflows of Resources	3,350	11,778	0	0	15,128
Fund Balances:					
Nonspendable	89,224	8		44,765	133,997
Restricted	320,156	40,393	2,034	426	363,009
Committed	46,766				46,766
Assigned	33,179				33,179
Unassigned	(5,040)				(5,040)
Total Fund Balances	484,285	40,401	2,034	45,191	571,911
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 630,800	\$ 52,179	\$ 2,758	\$ 45,611	\$ 731,348

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Revenue:					
Taxes:	\$ 107,504	\$	\$	\$	\$ 107,504
Licenses, Permits and Fees	252,482				252,482
Fines, Forfeits and Penalties	10,423				10,423
Use of Money and Property	25,837	7	66	7,935	33,845
Sales and Services	21,556				21,556
Administering Programs	512,751				512,751
Tobacco Settlement		26,561			26,561
Other Revenue	15,462	63			15,525
Total Revenue	946,015	26,631	66	7,935	980,647
Expenditures:					
Current:					
General Government	35,114	394		1,745	37,253
Education	197,152				197,152
Health, Human and Social Services	209,298				209,298
Law, Justice, Public Protection and Regulation	154,980				154,980
Agriculture and Natural Resources	132,958				132,958
Economic Resources	15,647				15,647
Transportation	3,659				3,659
State Shared Revenue Paid to Other Governments	123,517				123,517
Capital Outlay			2,541		2,541
Debt Service:					
Principal		20,973			20,973
Interest		10,206			10,206
Bond Issuance Costs		47	36		83
Total Expenditures	872,325	31,620	2,577	1,745	908,267
Excess of Revenue Over (Under) Expenditures	73,690	(4,989)	(2,511)	6,190	72,380
Other Financing Sources (Uses):					
Capital Leases	20,350				20,350
Bonds Issued			4,500		4,500
Proceeds from Sale of Capital Assets	832				832
Insurance Proceeds	24				24
Transfers In	33,665	14,581			48,246
Transfers Out	(90,375)	(7,735)	(66)	(531)	(98,707)
Total Other Financing Sources (Uses)	(35,504)	6,846	4,434	(531)	(24,755)
Net Change in Fund Balances	38,186	1,857	1,923	5,659	47,625
Fund Balances at Beginning of Year, as restated	446,099	38,544	111	39,532	524,286
Fund Balances at End of Year	\$ 484,285	\$ 40,401	\$ 2,034	\$ 45,191	\$ 571,911

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014
(Expressed in Thousands)

	Education Federal	Human Services	Labor	Health Federal	Governor's Office and State Development Federal
Assets					
Cash and Cash Equivalents	\$	\$ 1,562	\$ 2,421	\$	\$ 12,283
Investments					
Receivables From:					
Taxes, net					
Interest and Dividends			2		72
Other Funds		96	331	28	
Component Units	54				
Other Governments	24,409	8,763	1,299	2,618	900
Loans and Notes, net					3,689
Other, net			4		
Inventory		130	65	1,788	
Advances to Component Units					
Other Assets	30				4
Total Assets	\$ 24,493	\$ 10,551	\$ 4,122	\$ 4,434	\$ 16,948
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 2,161	\$ 7,147	\$ 1,516	\$ 2,094	\$ 24
Payable To:					
Other Funds	181	737	254	459	2
Component Units	125	60	4	36	
Other Governments	20,790	133	3	82	859
Claims, Judgments and Compensated Absences		14	27	2	
Unearned Revenue	1,051	57	15		
Total Liabilities	24,308	8,148	1,819	2,673	885
Deferred Inflows of Resources:					
Unavailable Revenue					
Total Deferred Inflows of Resources	0	0	0	0	0
Fund Balances:					
Nonspendable	30	130	65	1,788	4
Restricted					16,059
Committed					
Assigned	155	2,273	2,238		
Unassigned				(27)	
Total Fund Balances	185	2,403	2,303	1,761	16,063
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 24,493	\$ 10,551	\$ 4,122	\$ 4,434	\$ 16,948

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$	\$ 8,784	\$ 4,897	\$ 656	\$ 4,517	\$ 7,419
							773
			21	3	15		5
			76	74		21	
	8						
4,610	1,979	2,426		189		226	
1,111							
			556	638		66	
						91	
404							
<u>\$ 6,125</u>	<u>\$ 1,987</u>	<u>\$ 2,426</u>	<u>\$ 9,437</u>	<u>\$ 5,801</u>	<u>\$ 671</u>	<u>\$ 4,921</u>	<u>\$ 8,197</u>
\$ 2,155	\$ 865	\$ 663	\$ 1,576	\$ 1,747	\$ 135	\$ 336	\$ 58
4,024	759	683	317	403	34	860	640
	72	397	16				
2,523	249	473	78	34			755
				1			
		210		39			6,553
<u>8,702</u>	<u>1,945</u>	<u>2,426</u>	<u>1,987</u>	<u>2,224</u>	<u>169</u>	<u>1,196</u>	<u>8,006</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
404							
			7,450	3,577		91	
						2,226	
					184		191
	42				318	1,408	
(2,981)							
<u>(2,577)</u>	<u>42</u>	<u>0</u>	<u>7,450</u>	<u>3,577</u>	<u>502</u>	<u>3,725</u>	<u>191</u>
<u>\$ 6,125</u>	<u>\$ 1,987</u>	<u>\$ 2,426</u>	<u>\$ 9,437</u>	<u>\$ 5,801</u>	<u>\$ 671</u>	<u>\$ 4,921</u>	<u>\$ 8,197</u>

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (continued)
June 30, 2014
(Expressed in Thousands)

Assets	Motor Vehicle	Revenue	Future	Vocational Education Facilities	Petroleum Release Compensation
Cash and Cash Equivalents	\$ 20,190	\$ 1,148	\$ 61,323	\$ 6,077	\$ 4,268
Investments					
Receivables From:					
Taxes, net					154
Interest and Dividends	11	4	156	4	17
Other Funds					
Component Units					
Other Governments	13,691	338		191	
Loans and Notes, net					
Other, net	33				
Inventory					
Advances to Component Units					
Other Assets	30				
Total Assets	\$ 33,955	\$ 1,490	\$ 61,479	\$ 6,272	\$ 4,439
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 567	\$ 528	\$ 258	\$	\$ 93
Payable To:					
Other Funds	1,352	171			32
Component Units			855		
Other Governments	29,880		1,351		
Claims, Judgments and Compensated Absences	6				
Unearned Revenue					
Total Liabilities	31,805	699	2,464	0	125
Deferred Inflows of Resources:					
Unavailable Revenue					
Total Deferred Inflows of Resources	0	0	0	0	0
Fund Balances:					
Nonspendable	30				
Restricted			59,015	6,272	
Committed	2,120	1,419			4,314
Assigned					
Unassigned		(628)			
Total Fund Balances	2,150	791	59,015	6,272	4,314
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 33,955	\$ 1,490	\$ 61,479	\$ 6,272	\$ 4,439

Maintenance and Repair	Water and Environment	Energy Conservation	Federal Stimulus (ARRA)	Health Care Trust	Railroad Trust	Other	Total
\$ 6,202	\$ 23,149	\$ 7,197	\$ 5	\$ 18,136 117,717	\$ 17,406	\$ 140,332 237	\$ 347,972 117,954
	441					1,765	3,133
7	93	24		353	337	273	1,397
557	1,018	821				1,157	4,179
						27	89
	127		236			19,090	81,092
	26,199	4,937			28,534	123	64,593
1				198	21	4,138	5,655
						85	2,159
	1,143						1,143
						966	1,434
<u>\$ 6,767</u>	<u>\$ 52,170</u>	<u>\$ 12,979</u>	<u>\$ 241</u>	<u>\$ 136,404</u>	<u>\$ 46,298</u>	<u>\$ 168,193</u>	<u>\$ 630,800</u>
\$ 357	\$ 1,326	\$ 2	\$ 66	\$ 388	\$	\$ 12,043	\$ 36,105
8			12	4,323		10,829	26,080
					128	75	1,768
	1,322		163			3,656	62,351
						13	63
						8,873	16,798
<u>365</u>	<u>2,648</u>	<u>2</u>	<u>241</u>	<u>4,711</u>	<u>128</u>	<u>35,489</u>	<u>143,165</u>
						3,350	3,350
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,350</u>	<u>3,350</u>
				85,631		1,051	89,224
	49,522	11,524		46,062	45,976	72,473	320,156
3,128		1,453			194	33,763	46,766
3,274						23,471	33,179
						(1,404)	(5,040)
<u>6,402</u>	<u>49,522</u>	<u>12,977</u>	<u>0</u>	<u>131,693</u>	<u>46,170</u>	<u>129,354</u>	<u>484,285</u>
<u>\$ 6,767</u>	<u>\$ 52,170</u>	<u>\$ 12,979</u>	<u>\$ 241</u>	<u>\$ 136,404</u>	<u>\$ 46,298</u>	<u>\$ 168,193</u>	<u>\$ 630,800</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Education Federal	Human Services	Labor	Health Federal	Governor's Office and State Development Federal
Revenue:					
Taxes	\$	\$	\$ 470	\$	\$
Licenses, Permits and Fees		105		7	
Fines, Forfeits and Penalties					
Use of Money and Property		38	12		119
Sales and Services		1,403			
Administering Programs	165,734	93,741	23,077	52,698	8,718
Other Revenue	22	34	16	35	
Total Revenue	165,756	95,321	23,575	52,740	8,837
Expenditures:					
General Government					
Education	165,797				
Health, Human and Social Services		94,659	26,119	52,719	
Law, Justice, Public Protection and Regulation			279		
Agriculture and Natural Resources					
Economic Resources					4,289
Transportation					
State Shared Revenue Paid to					
Other Governments					
Total Expenditures	165,797	94,659	26,398	52,719	4,289
Excess of Revenue Over (Under)					
Expenditures	(41)	662	(2,823)	21	4,548
Other Financing Sources (Uses):					
Capital Leases					
Insurance Proceeds					
Proceeds from Sale of Capital Assets		13		25	
Transfers In		240	3,026	225	
Transfers Out		(403)	(1,165)		
Total Other Financing Sources (Uses)	0	(150)	1,861	250	0
Net Change in Fund Balances	(41)	512	(962)	271	4,548
Fund Balances at Beginning of Year, as restated	226	1,891	3,265	1,490	11,515
Fund Balances at End of Year	\$ 185	\$ 2,403	\$ 2,303	\$ 1,761	\$ 16,063

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$	\$	\$	\$	\$	\$
			27,950	1,516 16,881	21,400 23,983 131	3 9,151 1	9,141 7,003 3
80			416	1,616	83		26
			336		8	38	
67,454	9,193	14,497	105	427		16	
182	1	81	690	24	30	1,525	
67,716	9,194	14,578	29,497	20,464	45,635	10,734	16,173
76,229					2,577	10,893	1,241
	9,250	14,703	26,048	18,039			
76,229	9,250	14,703	26,048	18,039	2,577	10,893	8,528
							9,769
(8,513)	(56)	(125)	3,449	2,425	43,058	(159)	6,404
17			131	93			
	53	450	692	133			
		(319)	(2,468)	(1,759)	(43,053)	(868)	(6,500)
17	53	131	(1,645)	(1,533)	(43,053)	(868)	(6,500)
(8,496)	(3)	6	1,804	892	5	(1,027)	(96)
5,919	45	(6)	5,646	2,685	497	4,752	287
\$ (2,577)	\$ 42	\$ 0	\$ 7,450	\$ 3,577	\$ 502	\$ 3,725	\$ 191

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (continued)
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Vocational Education Facilities	Petroleum Release Compensation
Revenue:					
Taxes	\$ 3,671	\$ 10,397	\$ 15,166	\$	\$ 1,764
Licenses, Permits and Fees	111,914	3,241		4,537	
Fines, Forfeits and Penalties					
Use of Money and Property	56	18	781	26	86
Sales and Services	2,222				
Administering Programs					
Other Revenue	241	14	2,024	1,073	1
Total Revenue	118,104	13,670	17,971	5,636	1,851
Expenditures:					
General Government	6,621	10,910			
Education				27,222	
Health, Human and Social Services					
Law, Justice, Public Protection and Regulation	8,055				
Agriculture and Natural Resources					3,212
Economic Resources			6,639		
Transportation					
State Shared Revenue Paid to					
Other Governments	104,033	1,425			
Total Expenditures	118,709	12,335	6,639	27,222	3,212
Excess of Revenue Over (Under)					
Expenditures	(605)	1,335	11,332	(21,586)	(1,361)
Other Financing Sources (Uses):					
Capital Leases				20,350	
Insurance Proceeds					
Proceeds from Sale of Capital Assets					
Transfers In	1,033		2,000	1,650	
Transfers Out	(1,612)	(639)			
Total Other Financing Sources (Uses)	(579)	(639)	2,000	22,000	0
Net Change in Fund Balances	(1,184)	696	13,332	414	(1,361)
Fund Balances at Beginning of Year, as restated	3,334	95	45,683	5,858	5,675
Fund Balances at End of Year	\$ 2,150	\$ 791	\$ 59,015	\$ 6,272	\$ 4,314

Maintenance and Repair	Water and Environment	Energy Conservation	Federal Stimulus (ARRA)	Health Care Trust	Railroad Trust	Other	Total
\$	\$ 4,966 1,590	\$ 500	\$	\$	\$ 300	\$ 38,510 45,820 10,288	\$ 107,504 252,482 10,423
34	460	124		19,108	823	1,931	25,837
1,672						15,877	21,556
35			6,079			70,977	512,751
1		10				9,458	15,462
1,742	7,016	634	6,079	19,108	1,123	192,861	946,015
3,160			1,302	239		12,882	35,114
			1,381			2,752	197,152
			3,235			21,673	209,298
	11,991		158			66,441	154,980
			19			49,696	132,958
		351	1			4,367	15,647
					617	3,042	3,659
3,160	11,991	351	6,096	239	617	170,384	872,325
(1,418)	(4,975)	283	(17)	18,869	506	22,477	73,690
						24	20,350
						24	24
					134	419	832
582	5,397 (381)		(1)	(4,323)	8,350	9,834	33,665
582	5,016	0	(1)	(4,323)	8,484	(26,884)	(90,375)
(836)	41	283	(18)	14,546	8,990	5,870	38,186
7,238	49,481	12,694	18	117,147	37,180	123,484	446,099
\$ 6,402	\$ 49,522	\$ 12,977	\$ 0	\$ 131,693	\$ 46,170	\$ 129,354	\$ 484,285

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2014
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	\$ 6,691	\$ 148	\$ 6,839
Restricted Cash		4	4
Investments	12,745	635	13,380
Restricted Investments		20,168	20,168
Receivables From:			
Interest and Dividends		1	1
Other, net		11,779	11,779
Other Assets		8	8
Total Assets	\$ 19,436	\$ 32,743	\$ 52,179
Deferred Inflows of Resources and Fund Balances			
Deferred Inflows of Resources:			
Unavailable Revenue	\$ 0	\$ 11,778	\$ 11,778
Total Deferred Inflows of Resources	0	11,778	11,778
Fund Balances:			
Nonspendable		8	8
Restricted	19,436	20,957	40,393
Total Fund Balances	19,436	20,965	40,401
Total Deferred Inflows of Resources and Fund Balances	\$ 19,436	\$ 32,743	\$ 52,179

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Revenue:			
Use of Money and Property	\$	\$ 7	\$ 7
Tobacco Settlement		26,561	26,561
Other Revenue	63		63
Total Revenue	63	26,568	26,631
Expenditures:			
Current:			
General Government	258	136	394
Debt Service:			
Principal	6,978	13,995	20,973
Interest	5,476	4,730	10,206
Bond Issuance Costs	47		47
Total Expenditures	12,759	18,861	31,620
Excess of Revenue Over (Under)			
Expenditures	(12,696)	7,707	(4,989)
Other Financing Sources (Uses):			
Transfers In	14,581		14,581
Transfers Out	(15)	(7,720)	(7,735)
Total Other Financing Sources (Uses)	14,566	(7,720)	6,846
Net Change in Fund Balances	1,870	(13)	1,857
Fund Balances at Beginning of Year	17,566	20,978	38,544
Fund Balances at End of Year	\$ 19,436	\$ 20,965	\$ 40,401

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2014
(Expressed in Thousands)

Assets	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Current Assets:					
Cash and Cash Equivalents	\$ 66,308	\$ 72,445	\$ 2,880	\$ 1,372	\$ 354
Receivables:					
Interest and Dividends	322		3	2	2
Other Funds	500	88			107
Component Units					1
Other Governments		140			177
Loans and Notes, net	16,715				
Other, net	203	1,470		32	29
Inventory					1,739
Other Assets					
Total Current Assets	84,048	74,143	2,883	1,406	2,409
Due from Other Funds	1,000				
Capital Assets:					
Land and Other Non-depreciable Assets				192	103
Property, Plant and Equipment	28			3,378	559
Accumulated Depreciation	(24)			(2,984)	(438)
Total Capital Assets	4	0	0	586	224
Other Noncurrent Assets	21,986				
Total Assets	107,038	74,143	2,883	1,992	2,633
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	46		87	216	46
Payable To:					
Other Funds	9	162		19	3
Claims, Judgments and Compensated Absences	19		1	27	41
Unearned Revenue				746	
Total Current Liabilities	74	162	88	1,008	90
Noncurrent Liabilities:					
Claims, Judgments and Compensated Absences	17			24	36
Total Noncurrent Liabilities	17	0	0	24	36
Total Liabilities	91	162	88	1,032	126
Net Position					
Net Investment in Capital Assets	4			586	224
Unrestricted	106,943	73,981	2,795	374	2,283
Total Net Position	\$ 106,947	\$ 73,981	\$ 2,795	\$ 960	\$ 2,507

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Health Insurance Risk Pool</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 4,437	\$ 2,367	\$ 6,355	\$ 10,342	\$ 6,595	\$ 1,600	\$ 175,055
38	7	19	30	14	4	441
	89		14			798
	10					11
					10	327
425						17,140
	71	193	1		1	2,000
	1,057				63	2,859
	8				163	171
<u>4,900</u>	<u>3,609</u>	<u>6,567</u>	<u>10,387</u>	<u>6,609</u>	<u>1,841</u>	<u>198,802</u>
						1,000
						295
18	2,212		109		894	7,198
(15)	(1,420)		(50)		(698)	(5,629)
<u>3</u>	<u>792</u>	<u>0</u>	<u>59</u>	<u>0</u>	<u>196</u>	<u>1,864</u>
3,349						25,335
<u>8,252</u>	<u>4,401</u>	<u>6,567</u>	<u>10,446</u>	<u>6,609</u>	<u>2,037</u>	<u>227,001</u>
10	79	12	388	4,777	112	5,773
3	31	2	69	10	41	349
12	76	222	217	127	49	791
	7	773	682		1	2,209
<u>25</u>	<u>193</u>	<u>1,009</u>	<u>1,356</u>	<u>4,914</u>	<u>203</u>	<u>9,122</u>
11	54		194	113	43	492
<u>11</u>	<u>54</u>	<u>0</u>	<u>194</u>	<u>113</u>	<u>43</u>	<u>492</u>
<u>36</u>	<u>247</u>	<u>1,009</u>	<u>1,550</u>	<u>5,027</u>	<u>246</u>	<u>9,614</u>
3	792		59		196	1,864
8,213	3,362	5,558	8,837	1,582	1,595	215,523
<u>\$ 8,216</u>	<u>\$ 4,154</u>	<u>\$ 5,558</u>	<u>\$ 8,896</u>	<u>\$ 1,582</u>	<u>\$ 1,791</u>	<u>\$ 217,387</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Operating Revenue:					
Licenses, Permits and Fees	\$	\$	\$	\$	\$
Use of Money and Property	1,253			473	
Sales and Services				1,781	5,052
Administering Programs				3	
Assessments		46,016	2,783		
Other Revenue	132			249	10
Total Operating Revenue	1,385	46,016	2,783	2,506	5,062
Operating Expenses:					
Personal Services and Benefits	189		21	835	536
Travel	11			13	6
Contractual Services	289			1,451	667
Supplies and Materials	26			627	3,669
Other	40			70	
Depreciation/Amortization	4			19	9
Insurance Claims		31,485	1,363		
Total Operating Expenses	559	31,485	1,384	3,015	4,887
Operating Income (Loss)	826	14,531	1,399	(509)	175
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets					
Interest Income	794	2,081	17	11	8
Other Expense	(320)		(1)	(1)	
Grant and Other Income	167			25	
Total Nonoperating Revenue (Expenses)	641	2,081	16	35	8
Income (Loss) Before Transfers	1,467	16,612	1,415	(474)	183
Transfers:					
Transfers In	3,500	1,165		320	
Transfers Out	(1,167)	(1,389)	(1)		
Net Transfers In (Out)	2,333	(224)	(1)	320	0
Change in Net Position	3,800	16,388	1,414	(154)	183
Net Position at Beginning of Year	103,147	57,593	1,381	1,114	2,324
Net Position at End of Year	\$ 106,947	\$ 73,981	\$ 2,795	\$ 960	\$ 2,507

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$ 38	\$	\$	\$ 7,145	\$ 4,415	\$ 1,602	\$ 13,200
191						1,917
50	2,584	4,735	224	235	919	15,580
			66			69
						48,799
180		185	558	15	582	1,911
459	2,584	4,920	7,993	4,665	3,103	81,476
230	732	62	3,913	1,888	1,502	9,908
26	13		570	164	124	927
110	378	585	2,738	2,034	908	9,160
49	1,207	1	325	44	206	6,154
187			10		347	654
3	77		4		25	141
		5,688			205	38,741
605	2,407	6,336	7,560	4,130	3,317	65,685
(146)	177	(1,416)	433	535	(214)	15,791
					(12)	(12)
71	33	96	148	71	19	3,349
(4)	(2)	(5)	(7)	(4)	(1)	(345)
135		1,231			82	1,640
202	31	1,322	141	67	88	4,632
56	208	(94)	574	602	(126)	20,423
1,168				7	106	6,266
(2)	(205)		(84)	(75)		(2,923)
1,166	(205)	0	(84)	(68)	106	3,343
1,222	3	(94)	490	534	(20)	23,766
6,994	4,151	5,652	8,406	1,048	1,811	193,621
\$ 8,216	\$ 4,154	\$ 5,558	\$ 8,896	\$ 1,582	\$ 1,791	\$ 217,387

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 170	\$ 46,148	\$ 2,783	\$ 2,738	\$ 2,731
Receipts from Interfund Services Provided			1		1,968
Receipts from Federal Agencies					191
Receipts from Loan Payments	10,159				
Payments to Suppliers and for Benefits and Claims	(286)	(31,485)	(1,279)	(1,963)	(4,480)
Payments for Employee Services	(183)		(21)	(803)	(537)
Payments for Interfund Services Used	(75)	(4)		(257)	(77)
Payments for Loans Originated	(7,982)				
Other Receipts (Payments)					10
Net Cash Provided (Used) by Operating Activities	1,803	14,659	1,484	(285)	(194)
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets				(24)	
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	(24)	0
Cash Flows From Noncapital Financing Activities:					
Transfers In	2,000	1,165		320	
Transfers Out	(853)	(1,389)	(1)		
Received (Paid) on Interfund Borrowing					
Other Noncapital Financing Activities	(134)			25	
Net Cash Provided (Used) by Noncapital Financing Activities	1,013	(224)	(1)	345	0
Cash Flows From Investing Activities:					
Investment Income	767	2,081	21	10	7
Investment Expense	(51)		(1)	(1)	
Net Cash Provided (Used) by Investing Activities	716	2,081	20	9	7
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	3,532	16,516	1,503	45	(187)
Cash and Cash Equivalents at Beginning of Year	62,776	55,929	1,377	1,327	541
Cash and Cash Equivalents at End of Year	\$ 66,308	\$ 72,445	\$ 2,880	\$ 1,372	\$ 354
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 826	\$ 14,531	\$ 1,399	\$ (509)	\$ 175
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense	4			19	9
Decrease/(Increase) in Assets:					
Accounts Receivable	(134)	60		9	(18)
Interest, Dividends & Penalties Receivable	(44)				
Loans and Notes Receivable	851				
Due From Other Funds		4			(107)
Due From Component Units					(1)
Due From Other Governments		72			(30)
Inventory					(190)
Other Assets	302				
Other Restricted Assets					
Increase/(Decrease) in Liabilities:					
Accounts Payable	(9)	(1)	85	(72)	(26)
Accrued Liabilities	2			9	(1)
Compensated Absences Payable	3			23	1
Due To Other Funds	2	(7)		10	
Due To Other Component Units				3	
Due To Other Governments					
Unearned Revenue				223	(6)
Policy Claim Liabilities					
Other Liabilities					
Net Cash Provided (Used) by Operating Activities	\$ 1,803	\$ 14,659	\$ 1,484	\$ (285)	\$ (194)
Noncash Investing, Capital and Financing Activities:					
Capital Lease Obligations Entered Into	\$	\$	\$	\$	\$
Other	(446)				

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$ 89	\$ 648 2,330	\$ 4,546	\$ 8,068 62	\$ 4,665	\$ 3,117 115	\$ 75,703 4,476
					86	277
766						10,925
(350)	(1,447)	(6,626)	(2,944)	(1,219)	(1,527)	(53,606)
(290)	(718)	(71)	(3,841)	(1,856)	(1,502)	(9,822)
(46)	(470)	(13)	(679)	(62)	(520)	(2,203)
(1,942)						(9,924)
179			4			193
(1,594)	343	(2,164)	670	1,528	(231)	16,019
			(61)		(92)	(177)
0	0	0	(61)	0	(92)	(177)
564	285		104	7	106	4,551
(2)	(490)		(188)	(75)		(2,998)
					(2)	(2)
135		1,231			82	1,339
697	(205)	1,231	(84)	(68)	186	2,890
71	35	96	146	65	19	3,318
(4)	(2)	(5)	(7)	(4)	(1)	(76)
67	33	91	139	61	18	3,242
(830)	171	(842)	664	1,521	(119)	21,974
5,267	2,196	7,197	9,678	5,074	1,719	153,081
\$ 4,437	\$ 2,367	\$ 6,355	\$ 10,342	\$ 6,595	\$ 1,600	\$ 175,055
\$ (146)	\$ 177	\$ (1,416)	\$ 433	\$ 535	\$ (214)	\$ 15,791
3	77		4		25	141
	11	(107)	4		10	(165)
(4)						(48)
(1,365)						(514)
	56					(47)
	7					6
					239	281
	(3)				4	(189)
		9			(17)	294
	21					21
(18)	(14)	(15)	14	963	(6)	901
(35)	2	(3)	28	9	(1)	10
(24)	7	(6)	44	22	1	71
(5)	2	1	4		4	11
						3
				(1)		(1)
		(267)	139		(41)	48
		(360)			(237)	(597)
					2	2
\$ (1,594)	\$ 343	\$ (2,164)	\$ 670	\$ 1,528	\$ (231)	\$ 16,019
\$ 446	\$	\$	\$	\$	\$ 12	\$ 12

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2014
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 46,685	\$ 2,505	\$ 2,500	\$ 746	\$ 727	\$ 497
Receivables:						
Interest and Dividends	71	7	6	3	1	1
Other Funds		2,172	877	969	1,356	294
Component Units		5	350	80		
Other Governments						
Other	659	1	16	1		2
Inventory		12	115			244
Other Assets	300	1,149	334	747		
Total Current Assets	47,715	5,851	4,198	2,546	2,084	1,038
Capital Assets:						
Property, Plant and Equipment		18,190	3,063	11,522	1,317	729
Accumulated Depreciation		(14,585)	(2,583)	(10,458)	(1,219)	(349)
Construction in Progress		2		776		
Total Capital Assets	0	3,607	480	1,840	98	380
Total Assets	47,715	9,458	4,678	4,386	2,182	1,418
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	1,569	1,058	712	185	388	63
Payable To:						
Other Funds	43	127	363	79	31	7
Component Units						
Bonds, Notes and Leases Payable		573				51
Claims, Judgments and Compensated Absences	14,570	1,178	438	133	164	32
Unearned Revenue	9,913					
Total Current Liabilities	26,095	2,936	1,513	397	583	153
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		900				247
Claims, Judgments and Compensated Absences	29	1,052	391	118	147	29
Other Noncurrent Liabilities	53					
Total Noncurrent Liabilities	82	1,952	391	118	147	276
Total Liabilities	26,177	4,888	1,904	515	730	429
Net Position						
Net Investment in Capital Assets		2,134	480	1,840	98	82
Unrestricted	21,538	2,436	2,294	2,031	1,354	907
Total Net Position	\$ 21,538	\$ 4,570	\$ 2,774	\$ 3,871	\$ 1,452	\$ 989

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 471	\$ 10,133	\$ 2,734	\$ 974	\$ 4,772	\$ 3,340	\$ 76,084
1	27	5	3	16	10	151
94		1,235	191		748	7,936
103		254			58	850
					142	142
2	2	16	4	28	84	815
					302	673
13	10			38	69	2,660
684	10,172	4,244	1,172	4,854	4,753	89,311
2,263	58	52,601	17		10,193	99,953
(2,073)	(58)	(34,214)	(16)		(4,059)	(69,614)
		40				818
190	0	18,427	1	0	6,134	31,157
874	10,172	22,671	1,173	4,854	10,887	120,468
27	27	604	253	17	536	5,439
42	8	814	52	5	215	1,786
		53			5	58
		2,224			76	2,924
45	1,601	32	253	3,148	437	22,031
2					11	9,926
116	1,636	3,727	558	3,170	1,280	42,164
		8,877			136	10,160
40	3,857	29	226	21,228	390	27,536
					53	53
40	3,857	8,906	226	21,228	526	37,749
156	5,493	12,633	784	24,398	1,806	79,913
190		7,326	1		5,922	18,073
528	4,679	2,712	388	(19,544)	3,159	22,482
\$ 718	\$ 4,679	\$ 10,038	\$ 389	\$ (19,544)	\$ 9,081	\$ 40,555

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Operating Revenue:						
Use of Money and Property	\$	\$	\$	\$	\$	\$
Sales and Services	157,350	21,804	14,158	3,303	6,065	3,480
Other Revenue	1,056	23	2	12	3	
Total Operating Revenue	158,406	21,827	14,160	3,315	6,068	3,480
Operating Expenses:						
Personal Services and Benefits	685	15,316	5,027	1,287	3,048	372
Travel	38	103	118	1	2	
Contractual Services	23,082	4,178	8,296	1,789	2,055	191
Supplies and Materials	44	475	350	87	864	2,959
Grant and Other						
Interest		44	1			3
Depreciation/Amortization		1,545	262	245	22	39
Insurance Claims	108,997					
Total Operating Expenses	132,846	21,661	14,054	3,409	5,991	3,564
Operating Income (Loss)	25,560	166	106	(94)	77	(84)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets			8			1
Loss on Disposal of Assets						
Interest Income	352	36	32	17	6	6
Other Expense	(20)	(2)	(2)	(1)		
Capital Contribution						
Total Nonoperating Revenue (Expenses)	332	34	38	16	6	7
Income (Loss) Before Transfers	25,892	200	144	(78)	83	(77)
Transfers:						
Transfers In				602		
Transfers Out						
Net Transfers In (Out)	0	0	0	602	0	0
Change in Net Position	25,892	200	144	524	83	(77)
Net Position at Beginning of Year	(4,354)	4,370	2,630	3,347	1,369	1,066
Net Position at End of Year	\$ 21,538	\$ 4,570	\$ 2,774	\$ 3,871	\$ 1,452	\$ 989

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$	\$	\$	\$	\$	\$ 9	\$ 9
788	2,898	15,622	4,220	2,551	10,091	242,330
	43	20		27	122	1,308
788	2,941	15,642	4,220	2,578	10,222	243,647
382	278	629	3,391	185	5,522	36,122
12	17	7	61		349	708
276	841	2,407	929	200	1,751	45,995
55	4	9,624	170	4	2,293	16,929
					3	3
		214			16	278
142		2,959			459	5,673
	2,039			4,500	336	115,872
867	3,179	15,840	4,551	4,889	10,729	221,580
(79)	(238)	(198)	(331)	(2,311)	(507)	22,067
		507			3	519
		(43)				(43)
5	136	25	13	84	51	763
	(7)	(1)	(1)	(4)	(3)	(41)
					38	38
5	129	488	12	80	89	1,236
(74)	(109)	290	(319)	(2,231)	(418)	23,303
			259		517	1,378
					(345)	(345)
0	0	0	259	0	172	1,033
(74)	(109)	290	(60)	(2,231)	(246)	24,336
792	4,788	9,748	449	(17,313)	9,327	16,219
\$ 718	\$ 4,679	\$ 10,038	\$ 389	\$ (19,544)	\$ 9,081	\$ 40,555

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 83,107	\$ 337	\$ 4,539	\$ 326	\$ 6	\$ 154
Receipts from Interfund Services Provided	76,407	21,107	9,748	2,879	6,012	3,308
Payments to Suppliers and for Benefits and Claims	(132,878)	(3,953)	(7,528)	(1,201)	(2,233)	(3,039)
Payments for Employee Services	(695)	(15,009)	(4,964)	(1,271)	(3,029)	(363)
Payments for Interfund Services Used	(593)	(957)	(954)	(817)	(693)	(85)
Other Receipts (Payments)		52	2	12	3	
Net Cash Provided (Used) by Operating Activities	25,348	1,577	843	(72)	66	(25)
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(1,785)	(386)	(677)	(7)	
Sales of Capital Assets			8			1
Payments on Capital Lease Obligations		(717)	(16)			(11)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(2,502)	(394)	(677)	(7)	(10)
Cash Flows From Noncapital Financing Activities:						
Transfers In				602		
Transfers Out						
Net Cash Provided (Used) From Noncapital Financing Activities	0	0	0	602	0	0
Cash Flows From Investing Activities						
Investment Income	318	35	30	21	5	6
Investment Expense	(20)	(2)	(2)	(1)		
Net Cash Provided (Used) by Investing Activities	298	33	28	20	5	6
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	25,646	(892)	477	(127)	64	(29)
Cash and Cash Equivalents at Beginning of Year	21,039	3,397	2,023	873	663	526
Cash and Cash Equivalents at End of Year	\$ 46,685	\$ 2,505	\$ 2,500	\$ 746	\$ 727	\$ 497
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 25,560	\$ 166	\$ 106	\$ (94)	\$ 77	\$ (84)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,545	262	245	22	39
Interest Expense		39	1			3
Miscellaneous Nonoperating Items						
Decrease/(Increase) in Assets:						
Accounts Receivable	30	29	14			2
Due From Other Funds		(360)	41	(87)	(47)	(19)
Due From Component Units			19	(10)		
Due From Other Governments						
Inventory			11			
Other Assets	95	(12)	2	(138)	4	
Increase/(Decrease) in Liabilities:						
Accounts Payable	1,194	(137)	152	1	(23)	23
Accrued Liabilities	(1)	144	27	11	20	1
Compensated Absences Payable	(10)	162	36	5	(1)	8
Due To Other Funds	5	1	172	(5)	1	2
Due To Component Units						
Due To Other Governments					13	
Unearned Revenue	1,079					
Policy Claim Liabilities	(2,604)					
Net Cash Provided (Used) by Operating Activities	\$ 25,348	\$ 1,577	\$ 843	\$ (72)	\$ 66	\$ (25)
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$ 8	\$	\$	\$ 1
Capital Lease Obligations Entered Into		1,249				306
Transfers In (Out) of Fixed Assets						

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 405	\$ 919	\$ 2,982	\$ 56	\$ 605	\$ 2,120	\$ 95,556
368	1,977	12,778	4,202	1,981	7,859	148,626
(226)	(2,356)	(10,843)	(693)	(3,774)	(3,060)	(171,784)
(374)	(267)	(616)	(3,325)	(183)	(5,819)	(35,915)
(116)	(285)	(1,170)	(453)	(27)	(1,446)	(7,596)
	43	18			130	260
57	31	3,149	(213)	(1,398)	(216)	29,147
(107)		(1,940)			(348)	(5,250)
		920			3	932
		(1,866)			(88)	(2,698)
(107)	0	(2,886)	0	0	(433)	(7,016)
			259		517	1,378
					(345)	(345)
0	0	0	259	0	172	1,033
5	135	21	13	86	52	727
	(7)	(1)	(1)	(4)	(3)	(41)
5	128	20	12	82	49	686
(45)	159	283	58	(1,316)	(428)	23,850
516	9,974	2,451	916	6,088	3,768	52,234
\$ 471	\$ 10,133	\$ 2,734	\$ 974	\$ 4,772	\$ 3,340	\$ 76,084
\$ (79)	\$ (238)	\$ (198)	\$ (331)	\$ (2,311)	\$ (507)	\$ 22,067
142		2,959			461	5,675
		214			16	273
				(1)		(1)
	(4)	4	4	(18)	(18)	43
5		111	34		(123)	(445)
		23	1		5	38
					22	22
					(42)	(31)
(4)	(10)				(57)	(120)
(12)	(11)	13	17	105	19	1,341
	5	6	25	2	30	270
8	7	6	42		(13)	250
17	1	13	(5)	2	(6)	198
		(2)			(1)	(3)
						13
(20)					(2)	1,057
	281			823		(1,500)
\$ 57	\$ 31	\$ 3,149	\$ (213)	\$ (1,398)	\$ (216)	\$ 29,147
\$	\$	\$ 463	\$	\$	\$ 3	\$ 475
		4,129				5,684
					38	38

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
June 30, 2014
(Expressed in Thousands)

	Common School	Child's Own	Corrections	Other	Total
Assets					
Cash and Cash Equivalents	\$ 27,736	\$ 220	\$ 2,033	\$ 909	\$ 30,898
Receivables:					
Due from Other Funds			114		114
Investment Income	556			1	557
Other	304	16		1	321
Total Receivables	860	16	114	2	992
Investments, at Fair Value:					
Pooled Investment Funds	182,976				182,976
Total Investments	182,976	0	0	0	182,976
Properties, at Cost	14,009			6	14,015
Other Assets				13	13
Total Assets	225,581	236	2,147	930	228,894
Liabilities					
Payables:					
Accounts Payable and Other Liabilities	586	158		9	753
Due To Other Funds			161	24	185
Total Liabilities	586	158	161	33	938
Net Position - Restricted For Others	\$ 224,995	\$ 78	\$ 1,986	\$ 897	\$ 227,956

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
Additions					
Contributions:					
From Clients and Inmates	\$	\$	\$ 7,345	\$ 1,881	\$ 9,226
Other	7,725				7,725
Total Contributions	7,725	0	7,345	1,881	16,951
Investment Income:					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	24,905				24,905
Pooled Interest and Dividends	4,141	2			4,143
Real Estate	309				309
Securities Lending, net	13				13
Net Investment Income (Loss)	29,368	2	0	0	29,370
Escheated Property	17				17
Miscellaneous Income	141	790		19	950
Total Additions	37,251	792	7,345	1,900	47,288
Deductions					
Distribution to School Districts	8,774				8,774
Payments made for Trust Purposes		839	7,208	1,761	9,808
Administrative Expenses				4	4
Total Deductions	8,774	839	7,208	1,765	18,586
Change in Net Position	28,477	(47)	137	135	28,702
Net Position at Beginning of Year	196,518	125	1,849	762	199,254
Net Position at End of Year	\$ 224,995	\$ 78	\$ 1,986	\$ 897	\$ 227,956



STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014
(Expressed in Thousands)

	Department of Revenue Tax Collections	Social Services Child Support	State Auditor Payroll Withholding	State Clerk of Courts	Other	Total
Assets						
Cash and Cash Equivalents	\$ 17,320	\$ 1,477	\$ 7,278	\$ 7,273	\$ 1,794	\$ 35,142
Receivables:						
Taxes Receivable, net	40,169					40,169
Due From Other Governments	799					799
Interest and Dividends Receivable	30				1	31
Other	811				34	845
Total Receivables	41,809	0	0	0	35	41,844
Total Assets	\$ 59,129	\$ 1,477	\$ 7,278	\$ 7,273	\$ 1,829	\$ 76,986
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 1,443	\$ 1,477	\$ 29	\$ 7,273	\$ 1,047	\$ 11,269
Refunds - Contractors Excise Tax	78					78
Due To Other Governments	57,608		7,249		782	65,639
Total Liabilities	\$ 59,129	\$ 1,477	\$ 7,278	\$ 7,273	\$ 1,829	\$ 76,986

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Department of Revenue - Tax Collections				
Assets:				
Cash and Cash Equivalents	\$ 25,279	\$ 358,684	\$ 366,643	\$ 17,320
Accounts Receivable	308	811	308	811
Taxes Receivable, net	37,472	40,169	37,472	40,169
Interest and Dividends Receivable	27	30	27	30
Due From Other Governments	413	799	413	799
Total Assets	\$ 63,499	\$ 400,493	\$ 404,863	\$ 59,129
Liabilities:				
Accounts Payable and Other Liabilities	\$ 988	\$ 657	\$ 202	\$ 1,443
Refunds - Contractors Excise Tax	14,987	138	15,047	78
Due To Other Governments	47,524	399,698	389,614	57,608
Total Liabilities	\$ 63,499	\$ 400,493	\$ 404,863	\$ 59,129
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 1,643	\$ 112,708	\$ 112,874	\$ 1,477
Total Assets	\$ 1,643	\$ 112,708	\$ 112,874	\$ 1,477
Liabilities:				
Accounts Payable and Other Liabilities	\$ 1,643	\$ 112,708	\$ 112,874	\$ 1,477
Total Liabilities	\$ 1,643	\$ 112,708	\$ 112,874	\$ 1,477
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 7,179	\$ 218,038	\$ 217,939	\$ 7,278
Total Assets	\$ 7,179	\$ 218,038	\$ 217,939	\$ 7,278
Liabilities:				
Accounts Payable and Other Liabilities	\$ 27	\$ 2,257	\$ 2,255	\$ 29
Due To Other Governments	7,152	215,781	215,684	7,249
Total Liabilities	\$ 7,179	\$ 218,038	\$ 217,939	\$ 7,278
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 7,091	\$ 13,114	\$ 12,932	\$ 7,273
Total Assets	\$ 7,091	\$ 13,114	\$ 12,932	\$ 7,273
Liabilities:				
Accounts Payable and Other Liabilities	\$ 7,091	\$ 13,114	\$ 12,932	\$ 7,273
Total Liabilities	\$ 7,091	\$ 13,114	\$ 12,932	\$ 7,273

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (continued)
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Other Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 1,557	\$ 52,239	\$ 52,002	\$ 1,794
Accounts Receivable	38	34	38	34
Interest and Dividends Receivable	1	1	1	1
Total Assets	\$ 1,596	\$ 52,274	\$ 52,041	\$ 1,829
Liabilities:				
Accounts Payable and Other Liabilities	\$ 786	\$ 50,778	\$ 50,517	\$ 1,047
Due To Other Governments	810	1,496	1,524	782
Total Liabilities	\$ 1,596	\$ 52,274	\$ 52,041	\$ 1,829
Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 42,749	\$ 754,783	\$ 762,390	\$ 35,142
Accounts Receivable	346	845	346	845
Taxes Receivable, net	37,472	40,169	37,472	40,169
Interest and Dividends Receivable	28	31	28	31
Due From Other Governments	413	799	413	799
Total Assets	\$ 81,008	\$ 796,627	\$ 800,649	\$ 76,986
Liabilities:				
Accounts Payable and Other Liabilities	\$ 10,535	\$ 179,514	\$ 178,780	\$ 11,269
Refunds - Contractors Excise Tax	14,987	138	15,047	78
Due To Other Governments	55,486	616,975	606,822	65,639
Total Liabilities	\$ 81,008	\$ 796,627	\$ 800,649	\$ 76,986

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2014
(Expressed in Thousands)

Assets	Business-type Activities				Total
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
Current Assets:					
Cash and Cash Equivalents	\$ 122,309	\$ 29,293	\$ 207,282	\$ 4,572	\$ 363,456
Receivables:					
Interest and Dividends	7,532	104	1,194	129	8,959
Primary Government	2,500		2,239		4,739
Other Governments			16,934		16,934
Loans and Notes, net	51,403		5,731	5,582	62,716
Other, net	286	1,776	26,266	78	28,406
Investments	40,177		24,438	291	64,906
Inventory	2,444	2,946	8,669		14,059
Other Assets		574	3,983		4,557
Total Current Assets	226,651	34,693	296,736	10,652	568,732
Investments	570,402		408,755	1,158	980,315
Due from Primary Government	5,000				5,000
Assets Held for Resale				5,219	5,219
Restricted Assets:					
Cash and Cash Equivalents			81,082	17	81,099
Investments			66,043	6,616	72,659
Other			12,113		12,113
Capital Assets:					
Land and Other Non-depreciable Assets	220	18,659	36,461	381	55,721
Property, Plant and Equipment	10,210	52,647	1,358,381	4	1,421,242
Accumulated Depreciation	(4,170)	(7,555)	(543,953)	(4)	(555,682)
Construction in Progress		9,680	73,123	23,466	106,269
Total Capital Assets	6,260	73,431	924,012	23,847	1,027,550
Other Noncurrent Assets, net	905,788		72,173	20,980	998,941
Total Assets	1,714,101	108,124	1,860,914	68,489	3,751,628
Deferred Outflows of Resources					
Deferred Swap Outflow	18,394				18,394
Deferred Forward Contract Outflow	216				216
Deferred Outflow on Debt Refunding	1,290		1,727		3,017
Total Deferred Outflows of Resources	19,900	0	1,727	0	21,627
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	789	1,315	54,482	3,455	60,041
Payable To:					
Primary Government	37		1,705		1,742
Escrow Payable	11,350			380	11,730
Bonds, Notes and Leases Payable	29,239	173	25,443	5,572	60,427
Claims, Judgments and Compensated Absences	128	284	12,429		12,841
Accrued Interest Payable	6,556		4,145	701	11,402
Unearned Revenue			8,847		8,847
Advances from Primary Government				407	407
Other Current Liabilities			20,853	36	20,889
Total Current Liabilities	48,099	1,772	127,904	10,551	188,326
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable	1,181,827	463	471,984	23,253	1,677,527
Claims, Judgments and Compensated Absences	520	284	25,745		26,549
Federal Capital Contribution Refundable Advance			38,192		38,192
Advances from Primary Government				18,722	18,722
Hedging Derivatives	18,841				18,841
Other Noncurrent Liabilities			14,862	1,256	16,118
Total Noncurrent Liabilities	1,201,188	747	550,783	43,231	1,795,949
Total Liabilities	1,249,287	2,519	678,687	53,782	1,984,275
Net Position					
Net Investment In Capital Assets	(185)	72,795	519,083	1,421	593,114
Restricted For:					
Debt Service	401,212		4,406	5,000	410,618
HOME and NSP Program	67,719				67,719
Higher Education - Expendable			210,241		210,241
Higher Education - Nonexpendable			354,360		354,360
Interim Lab		9,263			9,263
Sanford Center for Science Education		6,577			6,577
Indemnification		10,000			10,000
Other	15,968	1,367			17,335
Unrestricted		5,603	95,864	8,286	109,753
Total Net Position	\$ 484,714	\$ 105,605	\$ 1,183,954	\$ 14,707	\$ 1,788,980

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Business-type Activities				
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	Total
Operating Revenue:					
Tuition and Fees (net of discounts and allowances for scholarships of \$37,775)	\$	\$	\$ 231,653	\$	\$ 231,653
Use of Money and Property	68,887			1,406	70,293
Sales and Services (net of discounts and allowances for scholarships of Higher Education of \$11,343)		178	108,798		108,976
Administering Programs	30,654	16,005	133,141	514	180,314
Other Revenue	10,603	109	82,229	68	93,009
Total Operating Revenue	110,144	16,292	555,821	1,988	684,245
Operating Expenses:					
Personal Services and Benefits	3,250	10,071	401,630		414,951
Travel	145	111	17,594	9	17,859
Contractual Services	8,105	5,784	107,909	679	122,477
Supplies and Materials	113	1,899	62,676	10	64,698
Grants and Subsidies	27,067		36,793	1,015	64,875
Other	2,731		5,928	131	8,790
Interest	42,585		53	1,684	44,322
Depreciation/Amortization	474	1,839	43,944		46,257
Total Operating Expenses	84,470	19,704	676,527	3,528	784,229
Operating Income (Loss)	25,674	(3,412)	(120,706)	(1,540)	(99,984)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets		(143)	(410)		(553)
Interest Income		510	47,963	55	48,528
Interest Expense			(22,649)	(13)	(22,662)
Other Expense		(692)	(10,891)		(11,583)
State Aid from Primary Government			219,341		219,341
Federal Appropriation			6,269		6,269
Grant and Other Income			5,583	50	5,633
Total Nonoperating Revenue (Expenses)	0	(325)	245,206	92	244,973
Income (Loss) Before Capital Grants, Additions to Endowments and Special Item	25,674	(3,737)	124,500	(1,448)	144,989
Capital Grants		2,030	10,601	1,184	13,815
Additions to Endowments			16,160		16,160
Special Item - OPEB elimination			9,911		9,911
Change in Net Position	25,674	(1,707)	161,172	(264)	184,875
Net Position At Beginning of Year, as restated	459,040	107,312	1,022,782	14,971	1,604,105
Net Position at End of Year	\$ 484,714	\$ 105,605	\$ 1,183,954	\$ 14,707	\$ 1,788,980

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
HIGHER EDUCATION
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Higher Education
Cash Flows from Operating Activities:	
Tuition and Fees	\$ 231,578
Auxiliaries	62,315
Sales & Services - General	44,523
Federal Contracts & Grants	103,847
State Contracts & Grants	12,808
Private Contracts & Grants	19,151
Other Revenue and Additions	70
Loans Issued to Students	(7,157)
Perkins Loans Collected from Students	5,378
Student Loan Interest	582
Payments for Personal Services Expenditures	(402,567)
Payments for Travel Expenditures	(16,305)
Payments for Contractual Expenditures	(102,793)
Payments for Supply Expenditures and Non-Capitalized Equipment	(59,291)
Payments for Grant and Subsidy Expenditures	(36,299)
Payments for Other Expenditures	(103)
Foundation Activity	11,457
Net Cash Provided (Used) by Operating Activities	(132,806)
Cash Flows from Noncapital Financing Activities:	
General Fund Appropriations	219,341
School & Public Lands	1,703
Federal Fund Appropriations	6,891
Endo/Ecto Tax	779
Federal Loan Disbursements	(169,817)
Federal Loan Receipts	169,817
Private Loan Disbursements	(7,647)
Private Loan Receipts	7,647
Federal Capital Contribution - Student Loan	364
Other Revenues & Additions	11,373
Payments for Other Expenditures	(290)
Foundation Activity	38,208
Net Cash Provided (Used) by Noncapital Financing Activities	278,369
Cash Flows from Capital and Related Financing Activities:	
Capital Grants & Contracts	8,964
Build America Bond Subsidy	1,542
South Dakota Building Authority Funding	(50)
Proceeds from Capital Debt (Leases)	105,048
Revenue Bond Discounts and Related Costs	(4,452)
Principal Paid on Capital Debt and Leases	(47,558)
Interest Paid on Capital Debt and Leases	(22,669)
Purchase of Capital Assets	(82,685)
Foundation Activity	3,152
Net Cash Provided (Used) by Capital and Related Financing Activities	(38,708)
Cash Flows from Investing Activities:	
Investment Income	3,166
Foundation Activity	(19,052)
Net Cash Provided (Used) by Investing Activities	(15,886)
Net Increase (Decrease) in Cash and Cash Equivalents during the Fiscal Year	90,969
Cash and Cash Equivalents at Beginning of Year	197,395
Cash and Cash Equivalents at End of Year	\$ 288,364

Continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
HIGHER EDUCATION (continued)
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Higher Education
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities	
Operating Income (Loss)	\$ (120,706)
Adjustments to Reconcile Operating Income (Loss):	
Depreciation Expense	43,944
Bad Debt Expense	420
Loan Cancellation Expense	837
Foundation Activity	(53,658)
Decrease/(Increase) in Assets:	
Accounts Receivable Students	(1,636)
Accounts Receivable - Dept	(1,510)
Interest Receivable	(188)
Notes Receivable	(1,674)
Due From Federal Sources	3,661
Due From Primary Govt	(360)
Prepaid Expense and Deferred Charges	(755)
Inventory	(250)
Other Assets	45
Increase/(Decrease) in Liabilities:	
Accounts Payable	5,196
Accrued Wages & Benefits	2,053
Due to Federal Sources	(3)
Due to Primary Government	22
Student Deposits	45
Compensated Absences	819
Deferred Revenue	746
Agency Funds Held for Others	53
Other Non-Current Liabilities	(9,907)
Net Cash Provided (Used) by Operating Activities	\$ (132,806)
Noncash Investing, Capital and Financing Activities:	
Transfers In (Out) of Fixed Assets	\$ 594

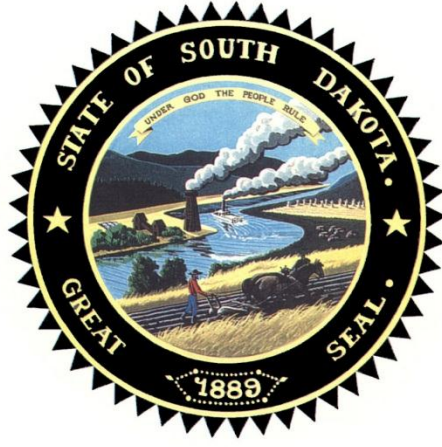
STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS
June 30, 2014
(Expressed in Thousands)

	Business-type Activities			
	Finance Authority	Value Added Finance Authority	S.D. Ellsworth Development Authority	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 2,538	\$ 1,556	\$ 478	\$ 4,572
Receivables:				
Interest and Dividends	128	1		129
Loans and Notes, net	5,506	76		5,582
Other, net	9		69	78
Investments	291			291
Total Current Assets	8,472	1,633	547	10,652
Investments	1,158			1,158
Assets Held for Resale			5,219	5,219
Restricted Assets:				
Cash and Cash Equivalents	17			17
Investments	6,616			6,616
Capital Assets:				
Land and Other Non-depreciable Assets			381	381
Property, Plant and Equipment			4	4
Accumulated Depreciation			(4)	(4)
Construction in Progress			23,466	23,466
Total Capital Assets	0	0	23,847	23,847
Other Noncurrent Assets, net	20,456	274	250	20,980
Total Assets	36,719	1,907	29,863	68,489
Liabilities				
Current Liabilities:				
Accounts Payable and Other Liabilities	89		3,366	3,455
Escrow Payable	380			380
Bonds, Notes and Leases Payable	5,437	135		5,572
Accrued Interest Payable	339	8	354	701
Advances from Primary Government			407	407
Other Current Liabilities			36	36
Total Current Liabilities	6,245	143	4,163	10,551
Noncurrent Liabilities:				
Bonds, Notes and Leases Payable	20,454	1,178	1,621	23,253
Advances from Primary Government			18,722	18,722
Other Noncurrent Liabilities	1,256			1,256
Total Noncurrent Liabilities	21,710	1,178	20,343	43,231
Total Liabilities	27,955	1,321	24,506	53,782
Net Position				
Net Investment in Capital Assets			1,421	1,421
Restricted For:				
Debt Service	5,000			5,000
Unrestricted	3,764	586	3,936	8,286
Total Net Position	\$ 8,764	\$ 586	\$ 5,357	\$ 14,707

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Business-type Activities			Total
	Finance Authority	Value Added Finance Authority	S.D. Ellsworth Development Authority	
Operating Revenue:				
Use of Money and Property	\$ 1,391	\$ 15	\$	\$ 1,406
Administering Programs			514	514
Other Revenue			68	68
Total Operating Revenue	1,391	15	582	1,988
Operating Expenses:				
Travel			9	9
Contractual Services	78		601	679
Supplies and Materials			10	10
Grant and Subsidies			1,015	1,015
Other	131			131
Interest	1,327		357	1,684
Total Operating Expenses	1,536	0	1,992	3,528
Operating Income (Loss)	(145)	15	(1,410)	(1,540)
Nonoperating Revenue (Expenses):				
Interest Income	54	1		55
Interest Expense		(13)		(13)
Grant and Other Income		50		50
Total Nonoperating Revenue (Expenses)	54	38	0	92
Income (Loss) Before Capital Grants	(91)	53	(1,410)	(1,448)
Capital Grants			1,184	1,184
Change in Net Position	(91)	53	(226)	(264)
Net Position At Beginning of Year, as restated	8,855	533	5,583	14,971
Net Position at End of Year	\$ 8,764	\$ 586	\$ 5,357	\$ 14,707





STATISTICAL SECTION



State of South Dakota
Net Position by Component,
Last Ten Fiscal Years

(Accrual Basis of Accounting, Dollars in Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
Governmental Activities:					
Net Investment in Capital Assets	\$ 3,673,267	\$ 3,548,433	\$ 3,480,152	\$ 3,300,829	\$ 3,211,673
Restricted	1,383,140	1,241,520	1,114,366	1,144,456	1,004,704
Unrestricted	246,555	202,835	158,316	95,317	79,854
Total Governmental Activities Net Position	\$ 5,302,962	\$ 4,992,788	\$ 4,752,834	\$ 4,540,602	\$ 4,296,231
Business-type Activities:					
Net Investment in Capital Assets	\$ 3,650	\$ 4,379	\$ 3,893	\$ 4,360	\$ 4,863
Restricted	912	916	891	1,931	2,138
Unrestricted	588,495	545,751	520,208	498,567	445,444
Total Business-type Activities Net Position	\$ 593,057	\$ 551,046	\$ 524,992	\$ 504,858	\$ 452,445
Primary Government:					
Net Investment in Capital Assets	\$ 3,676,917	\$ 3,552,812	\$ 3,484,045	\$ 3,305,189	\$ 3,216,536
Restricted	1,384,052	1,242,436	1,115,257	1,146,387	1,006,842
Unrestricted	835,050	748,586	678,524	593,884	525,298
Total Primary Government Net Position	\$ 5,896,019	\$ 5,543,834	\$ 5,277,826	\$ 5,045,460	\$ 4,748,676

	Fiscal Year				
	2009	2008	2007	2006	2005
Governmental Activities:					
Net Investment in Capital Assets	\$ 3,101,101	\$ 3,053,427	\$ 2,947,980	\$ 2,829,173	\$ 2,690,656
Restricted	897,491	1,032,035	1,091,917	1,012,357	280,219
Unrestricted	67,523	67,587	70,308	85,670	821,458
Total Governmental Activities Net Position	\$ 4,066,115	\$ 4,153,049	\$ 4,110,205	\$ 3,927,200	\$ 3,792,333
Business-type Activities:					
Net Investment in Capital Assets	\$ 2,299	\$ 2,565	\$ 2,829	\$ 3,184	\$ 2,817
Restricted	302,713	284,272	284,322	262,293	227,167
Unrestricted	102,607	122,595	94,300	89,879	95,195
Total Business-type Activities Net Position	\$ 407,619	\$ 409,432	\$ 381,451	\$ 355,356	\$ 325,179
Primary Government:					
Net Investment in Capital Assets	\$ 3,103,400	\$ 3,055,992	\$ 2,950,809	\$ 2,832,357	\$ 2,693,473
Restricted	1,200,204	1,316,307	1,376,239	1,274,650	507,386
Unrestricted	170,130	190,182	164,608	175,549	916,653
Total Primary Government Net Position	\$ 4,473,734	\$ 4,562,481	\$ 4,491,656	\$ 4,282,556	\$ 4,117,512

Source: South Dakota Comprehensive Annual Financial Reports (FY 2005-2014). Previous years' amounts are not restated.

Note: (a) The increase in Restricted Net Position from FY 2005 to FY 2006 was primarily due to implementation of GASB 46 - Net Assets Restricted by Enabling Legislation.

State of South Dakota
Changes in Net Position,
Last Ten Fiscal Years
(Accrual Basis of Accounting, Dollars in Thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental Activities:										
General Government	\$ 180,221	\$ 169,843	\$ 164,005	\$ 157,405	\$ 146,193	\$ 170,900	\$ 175,272	\$ 194,266	\$ 175,826	\$ 131,411
Education - Elementary, Secondary and Vocational Schools	206,939	201,177	211,413	218,959	212,919	195,534	200,226	186,599	191,460	176,700
Education - State Support to Higher Education	219,341	176,294	171,701	185,757	182,681	196,007	170,348	160,725	149,040	143,358
Health, Human and Social Services	1,380,648	1,367,355	1,354,764	1,354,829	1,337,922	1,200,436	1,127,618	1,043,771	1,012,533	978,950
Law, Justice, Public Protection and Regulation	321,186	277,223	286,127	286,824	241,217	243,805	233,676	232,526	212,600	200,024
Agriculture and Natural Resources	152,666	144,245	130,279	151,116	130,943	118,686	114,783	123,135	109,904	100,275
Economic Resources	40,121	43,300	40,865	51,157	52,966	45,006	47,226	39,371	58,235	42,419
Transportation	473,323	537,497	482,400	508,548	457,081	408,482	316,113	362,680	316,125	320,379
Intergovernmental - Payments to School Districts	393,606	394,857	375,008	412,310	405,947	400,162	376,843	346,582	338,008	337,507
Intergovernmental - Revenue Sharing	161,564	141,514	122,320	100,493	103,425	99,064	103,633	101,669	99,171	87,105
Unallocated Interest Expense	9,198	14,537	17,393	18,711	19,820	21,514	22,805	23,191	23,998	24,599
Unallocated Depreciation	53	53	53	58	58	58	58	58	58	53
Total Governmental Activities Expenses	3,538,866	3,467,895	3,356,328	3,446,167	3,291,172	3,099,654	2,888,601	2,814,573	2,686,958	2,542,780
Business-type Activities:										
Lottery	42,806	44,114	39,877	36,775	35,411	32,767	33,419	31,404	32,409	27,516
Clean Water State Revolving	9,879	10,898	16,406	11,109	4,455	4,777	4,486	3,996	3,286	1,114
Drinking Water State Revolving	9,352	10,337	10,936	11,964	5,066	3,253	2,855	2,720	2,574	1,976
Other	66,042	81,648	92,096	100,406	125,993	89,451	54,688	56,247	60,613	63,057
Total business-type Activities Expenses	128,079	146,997	159,315	160,254	170,925	130,248	95,448	94,367	98,882	93,663
Total Primary Government Expenses	\$ 3,666,945	\$ 3,614,892	\$ 3,515,643	\$ 3,606,421	\$ 3,462,097	\$ 3,229,902	\$ 2,984,049	\$ 2,908,940	\$ 2,785,840	\$ 2,636,443
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 227,851	\$ 212,529	\$ 194,439	\$ 170,598	\$ 166,457	\$ 158,248	\$ 147,597	\$ 142,225	\$ 137,188	\$ 130,213
Education - Elementary, Secondary and Vocational Schools	7,687	7,888	6,147	5,843	6,204	2,489	3,451	4,137	4,055	2,024
Health, Human and Social Services	36,597	38,098	33,030	36,256	36,758	25,865	25,858	25,506	30,665	25,589
Law, Justice, Public Protection and Regulation	76,048	80,750	66,235	60,555	57,213	50,888	50,335	49,435	44,624	42,534
Agriculture and Natural Resources	77,514	72,972	69,331	67,815	64,940	61,572	65,783	54,403	52,962	48,436
Economic Resources	3,789	3,064	3,268	1,332	1,796	2,379	2,011	1,788	2,183	1,752
Transportation	6,979	6,682	7,514	7,776	6,301	6,052	6,815	6,007	13,718	8,510
Operating Grants and Contributions	1,582,641	1,588,413	1,670,046	1,838,312	1,768,957	1,447,753	1,246,925	1,258,548	1,205,317	1,197,637
Capital Grants and Contributions	1,516	1,046	1,608	3,945	2,275	2,519	25,395	1,000	6,570	6,564
Total Governmental Activities Program Revenues	2,020,622	2,011,442	2,051,618	2,192,432	2,110,901	1,757,765	1,574,170	1,543,049	1,497,282	1,463,259
Business-type Activities:										
Charges for Services:										
Lottery	148,323	151,414	143,078	144,460	154,669	152,590	156,241	152,697	151,647	143,976
Clean Water State Revolving	6,019	5,277	5,677	6,014	5,781	4,954	4,826	4,479	3,659	3,441
Drinking Water State Revolving	4,327	4,321	4,922	4,807	3,997	3,696	3,582	3,460	2,773	2,102
Other	81,681	85,946	94,455	112,210	119,048	60,925	59,152	54,166	57,684	50,952
Operating Grants and Contributions	33,994	30,519	30,910	52,926	50,927	26,272	21,879	26,262	30,098	22,606
Total Business-type Activities Program Revenues	274,344	277,477	279,042	320,417	334,422	248,437	245,680	241,064	245,861	223,077
Total Primary Government Program Revenues	\$ 2,294,966	\$ 2,288,919	\$ 2,330,660	\$ 2,512,849	\$ 2,445,323	\$ 2,006,202	\$ 1,819,850	\$ 1,784,113	\$ 1,743,143	\$ 1,686,336
Net (Expense)/Revenue										
Governmental Activities	\$ (1,518,244)	\$ (1,456,453)	\$ (1,304,710)	\$ (1,253,735)	\$ (1,180,271)	\$ (1,341,889)	\$ (1,314,431)	\$ (1,271,524)	\$ (1,189,676)	\$ (1,079,521)
Business-type Activities	146,265	130,480	119,727	160,163	163,497	118,189	150,232	146,697	146,979	129,414
Total Primary Government Net (Expense)/Revenue	\$ (1,371,979)	\$ (1,325,973)	\$ (1,184,983)	\$ (1,093,572)	\$ (1,016,774)	\$ (1,223,700)	\$ (1,164,199)	\$ (1,124,827)	\$ (1,042,697)	\$ (950,107)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Sales Taxes	\$ 858,001	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133	\$ 597,230	\$ 554,647
Motor Fuel Taxes	136,395	139,048	130,864	130,542	127,807	124,442	125,005	146,851	145,415	153,846
Contractors Excise Taxes	93,746	94,967	90,636	66,518	85,973	71,533	79,137	81,069	76,979	66,555
Bank Card and Franchise Taxes	23,943	49,493	32,941	16,954	16,674	55,260	62,036	76,497	65,187	51,281
Other Taxes	311,397	299,726	297,750	266,415	273,535	261,176	264,944	211,452	183,236	184,452
Investment Earnings	142,003	130,881	29,925	143,106	101,246	(91,586)	(18,946)	137,568	60,956	81,543
Gain on Sale of Capital Assets	2,726	2,127	3,915	819	526	919	1,135	1,305	42,344	1,747
Miscellaneous	133,988	76,047	51,652	41,519	36,625	52,288	41,805	39,667	35,493	32,526
Special Items	17,619									
Transfers	102,937	104,426	100,257	107,750	118,671	120,002	122,251	120,065	117,703	118,507
Total Governmental Activities	1,822,755	1,699,415	1,516,942	1,515,078	1,424,203	1,269,686	1,345,490	1,439,607	1,324,543	1,245,104
Business-type Activities:										
Transfers	(102,937)	(104,426)	(100,257)	(107,750)	(118,671)	(120,002)	(122,251)	(120,065)	(117,703)	(118,507)
Total Business-type Activities	(102,937)	(104,426)	(100,257)	(107,750)	(118,671)	(120,002)	(122,251)	(120,065)	(117,703)	(118,507)
Total Primary Government	\$ 1,719,818	\$ 1,594,989	\$ 1,416,685	\$ 1,407,328	\$ 1,305,532	\$ 1,149,684	\$ 1,223,239	\$ 1,319,542	\$ 1,206,840	\$ 1,126,597
Change in Net Position										
Governmental Activities	\$ 304,511	\$ 242,962	\$ 212,232	\$ 261,343	\$ 243,932	\$ (72,203)	\$ 31,059	\$ 168,083	\$ 134,867	\$ 165,583
Business-type Activities	43,328	26,054	19,470	52,413	44,826	(1,813)	27,981	26,632	29,276	10,907
Total Primary Government	\$ 347,839	\$ 269,016	\$ 231,702	\$ 313,756	\$ 288,758	\$ (74,016)	\$ 59,040	\$ 194,715	\$ 164,143	\$ 176,490

Source: South Dakota Comprehensive Annual Financial Reports (FY 2005-2014). Previous years' amounts are not restated.

State of South Dakota
Fund Balances, Governmental Funds,
Last Ten Fiscal Years

(Modified Accrual Basis of Accounting, Dollars in Thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund (Per GASB 54):										
Non-Spendable	\$ 3,629	\$ 3,419	\$ 2,916	\$ 3,148						
Restricted	8,264	1,018								
Committed										
Assigned	149,021	126,872	140,706	148,137						
Unassigned	159,403	186,444	147,445	136,018						
Total General Fund	\$ 320,317	\$ 317,753	\$ 291,067	\$ 287,303						
Other Governmental Funds (Per GASB 54):										
Non-Spendable	\$ 493,227	\$ 717,108	\$ 706,054	\$ 683,786						
Restricted	918,910	551,014	460,450	493,638						
Committed	46,766	43,993	38,930	36,844						
Assigned	34,339	49,758	43,815	34,684						
Unassigned	(5,040)	(1,462)	(2,931)	(18,859)						
Total Other Governmental Funds	\$ 1,488,202	\$ 1,360,411	\$ 1,246,318	\$ 1,230,093						
General Fund (Prior to GASB 54):										
Reserved					\$ 21,104	\$ 21,215	\$ 31,139	\$ 32,581	\$ 22,993	\$ 23,326
Unreserved					133,962	131,363	138,883	142,809	142,505	128,781
Total General Fund					\$ 155,066	\$ 152,578	\$ 170,022	\$ 175,390	\$ 165,498	\$ 152,107
Other Governmental Funds (Prior to GASB 54):										
Reserved					\$ 873,931	\$ 872,653	\$ 886,761	\$ 848,892	\$ 836,770	\$ 190,036
Unreserved, Reported in:										
Special Revenue Funds					332,270	232,200	342,384	446,152	394,636	1,070,412
Capital Projects Funds					148	2,484	2,460	7,084	10,068	3,140
Total Other Governmental Funds					\$ 1,206,349	\$ 1,107,337	\$ 1,231,605	\$ 1,302,128	\$ 1,241,474	\$ 1,263,588

Note: The State of South Dakota implemented GASB Statement 54 in Fiscal Year 2011, which significantly changed the fund balance classifications. Fiscal Year 2011 through 2014 fund balance classifications are not comparable to classifications to years prior to 2011.

Source: South Dakota Comprehensive Annual Financial Reports (FY 2005-2014). Previous years' amounts are not restated.

State of South Dakota
Changes in Fund Balances, All Governmental Funds,
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting, Dollars in Thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Taxes										
Sales & Use	\$ 857,559	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133	\$ 597,230	\$ 554,647
Insurance Company	73,876	70,740	66,679	61,799	62,499	61,669	60,930	55,900	55,810	56,295
Liquor	15,988	15,835	14,519	14,953	14,247	14,782	13,044	13,138	12,602	12,349
Cigarette	51,616	51,940	50,704	46,700	62,918	56,607	57,160	43,998	26,689	26,246
Bank Franchise	23,943	49,493	32,941	16,954	16,674	55,260	62,036	76,497	65,187	51,281
Contractor's Excise	93,746	94,967	90,636	66,518	85,973	71,533	79,137	81,069	76,980	66,555
Severance	9,286	9,141	15,153	9,748	9,229	7,972	6,847	5,160	4,422	3,060
Other Tobacco	8,131	6,562	6,495	6,075	4,912	6,273	5,368	2,230	1,460	1,456
Motor Fuel & Vehicle	215,203	212,521	206,259	192,198	184,953	179,125	187,654	176,788	171,095	179,424
Other	73,688	72,018	68,807	65,482	62,584	59,190	59,005	61,088	56,573	59,462
Licenses, Permits & Fees	267,628	252,420	225,803	202,449	197,006	180,337	175,989	166,133	159,597	150,695
Fines, Forfeits & Penalties	10,781	16,189	13,490	12,142	11,306	11,327	11,141	8,637	7,397	8,601
Use of Money & Property	157,633	153,479	42,881	162,577	123,020	(77,407)	(2,123)	160,057	86,306	96,156
Sales & Services	39,712	37,679	34,290	32,499	32,659	35,114	33,885	31,764	27,204	26,645
Admin. Programs	1,567,027	1,573,326	1,657,602	1,820,205	1,745,559	1,434,664	1,222,191	1,232,755	1,195,842	1,185,536
Tobacco Settlement	26,561	24,128	24,135	23,673	25,175	29,986	27,616	21,369	20,415	22,239
Other Revenue	129,147	65,272	42,676	40,008	33,437	27,858	26,215	27,864	32,442	24,409
Total Revenues	3,621,525	3,508,410	3,372,072	3,515,435	3,335,297	2,829,942	2,694,218	2,789,580	2,597,251	2,525,056
Expenditures										
General Government	87,409	74,394	73,714	70,493	71,532	76,533	76,431	79,349	76,734	71,221
Education	835,894	782,276	778,707	832,936	816,454	787,670	743,024	690,874	675,100	653,690
Health, Human & Social Services	1,387,821	1,364,933	1,351,100	1,350,402	1,364,846	1,222,021	1,124,311	1,038,035	1,010,287	976,328
Law, Justice, Public Protection & Regulation	320,080	280,691	303,237	311,583	263,499	240,601	231,559	224,404	232,803	211,421
Agriculture & Natural Resources	148,596	139,861	138,598	155,064	132,683	125,640	123,257	123,367	109,781	100,920
Economic Resources	40,062	43,108	40,553	50,986	52,872	44,940	46,893	39,124	57,981	42,436
Transportation	582,939	604,048	625,661	576,777	495,796	448,159	400,200	492,073	477,845	440,681
State Shared Revenue	161,564	141,514	122,320	100,493	103,425	99,064	103,633	101,669	99,171	87,105
Capital Outlay	2,541	387	4,773	4,381	2,336	2,172	4,622	8,982		
Debt Service:										
Principal	20,973	30,059	25,622	22,225	22,958	26,951	24,582	21,419	15,704	16,955
Interest	10,206	13,896	16,219	17,504	18,550	20,174	21,542	21,832	22,980	23,501
Bond Issuance Costs	83	1,817								
Payment to Refunded Bond Escrow Agent	16,924	8,016								
Total Expenditures	3,615,092	3,485,000	3,480,504	3,492,844	3,344,951	3,093,925	2,900,054	2,841,128	2,778,386	2,624,258
Excess of Revenues Over (Under) Expenditures	6,433	23,410	(108,432)	22,591	(9,654)	(263,983)	(205,836)	(51,548)	(181,135)	(99,202)
Other Financing Sources (Uses):										
Capital Leases	20,350	12,605	23,770	19,465						
Insurance Proceeds	24		222		809					
Bonds Issued	4,500			9,505		2,175		5,950	10,000	12,635
Premiums on Bond Issuance				154		44		15	280	
Discount on Bond Issuances										(80)
Proceeds of Refunding Bonds		169,645		801				25,855	2,864	
Premiums on Refunding Bonds		9,026		24				1,165	149	10
Proceeds from Sale of Capital Assets	4,459	5,154	6,096	1,588	4,963	3,296	2,757	2,707	10,799	
Payments to Refunded Bond Escrow Agent		(176,854)		(741)				(26,715)	(2,932)	
Transfers In	262,172	254,094	270,315	237,968	413,897	383,285	436,670	370,854	415,783	361,842
Transfers Out	(167,866)	(150,699)	(171,982)	(135,374)	(294,699)	(265,348)	(311,538)	(257,737)	(298,868)	(244,727)
Net Other Financing Sources (Uses)	123,639	122,971	128,421	133,390	124,970	123,452	127,889	122,094	138,075	129,680
Special Item										
Sale of Railroad Infrastructure									34,337	
Total Special Items	0	0	0	0	0	0	0	0	34,337	0
Net Change in Fund Balances	\$ 130,072	\$ 146,381	\$ 19,989	\$ 155,981	\$ 115,316	\$ (140,531)	\$ (77,947)	\$ 70,546	\$ (8,723)	\$ 30,478
Debt Service as a Percentage of Noncapital Expenditures	1.42%	1.63%	1.31%	1.21%	1.30%	1.63%	1.71%	1.67%	1.51%	1.62%

Source: South Dakota Comprehensive Annual Financial Reports (FY 2005-2014). Previous years' amounts are not restated.

State of South Dakota
Taxable Sales by Industry,
Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
Taxable Sales by Industry					
Agriculture, Forestry, and Fishing	\$ 287,680	\$ 253,605	\$ 241,819	\$ 224,548	\$ 206,139
Mining	118,587	102,408	112,925	95,566	62,308
Construction	31,241	25,832	23,842	19,479	20,345
Manufacturing	902,791	778,735	788,163	944,070	592,309
Transportation and Public Utilities	2,769,521	2,556,524	2,422,870	2,920,135	2,536,794
Wholesale Trade	1,514,416	1,403,736	1,460,278	1,300,644	1,131,812
Retail Trade	10,571,228	10,162,245	9,764,051	8,930,620	8,588,168
Finance, Insurance, and Real Estate	384,474	367,556	308,237	291,692	307,204
Services	3,396,424	3,231,543	3,090,080	2,980,187	2,773,413
Public Administration	2,029	4,082	1,799	2,082	1,584
Nonclassifiable Establishments				-	6
Totals	\$ 19,978,391	\$ 18,886,266	\$ 18,214,064	\$ 17,709,023	\$ 16,220,082
Direct Sales Tax Rate	4.00%	4.00%	4.00%	4.00%	4.00%

	Fiscal Year				
	2009	2008	2007	2006	2005
Taxable Sales by Industry					
Agriculture, Forestry, and Fishing	\$ 206,927	\$ 199,715	\$ 178,366	\$ 170,983	\$ 157,489
Mining	106,421	87,996	79,841	73,130	48,785
Construction	38,652	34,042	18,338	20,626	16,761
Manufacturing	642,782	658,846	675,156	611,195	482,265
Transportation and Public Utilities	2,464,786	2,324,638	2,010,946	1,853,628	1,743,112
Wholesale Trade	1,262,986	1,253,201	1,151,922	1,115,834	998,408
Retail Trade	8,654,677	8,572,397	8,080,893	7,870,890	7,510,802
Finance, Insurance, and Real Estate	301,474	320,208	318,811	317,054	289,072
Services	2,784,114	2,721,315	2,561,395	2,346,888	2,219,300
Public Administration	1,629	1,456	1,337	1,307	1,219
Nonclassifiable Establishments	8	36	8	9	5
Totals	\$ 16,464,456	\$ 16,173,850	\$ 15,077,013	\$ 14,381,544	\$ 13,467,218
Direct Sales Tax Rate	4.00%	4.00%	4.00%	3.98%	3.97%

Source: South Dakota Sales and Use Tax Report, Department of Revenue and Regulation.

Notes:

- Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax resources, representing the largest source of funding for the General Fund.
- Taxable sales: This is the amount of sales and use taxable sales on tangible personal property, services and products delivered electronically which are subject to state tax or reservation tax unless specifically exempted. No Contractors Excise taxes are included.
- Whenever there are less than 3 licenses in any one classification, the information is combined into the "Nonclassifiable Establishments" category.
- Prior to January 1, 2006, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services, except for the gross receipts from the sale and lease of agricultural machinery, irrigation equipment, and oil and gas field services, which were taxed at 3%. Beginning January 1, 2006, all items subject to the state sales tax will be taxed at 4% to conform to the Streamlined Sales Tax Project. A use tax of the same rate as the sales tax rate is imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid.
- The taxable figures could include amended returns that were due in prior periods.

State of South Dakota
Sales Tax Revenue Payers by Industry,
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year 2014				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,411	4.04%	\$ 287,680	1.44%
Mining	237	0.28%	118,587	0.59%
Construction	525	0.62%	31,241	0.16%
Manufacturing	3,820	4.53%	902,791	4.52%
Transportation and Public Utilities	2,728	3.23%	2,769,521	13.86%
Wholesale Trade	6,908	8.19%	1,514,416	7.58%
Retail Trade	31,494	37.33%	10,571,228	52.91%
Finance, Insurance, and Real Estate	2,172	2.58%	384,474	1.92%
Services	33,007	39.13%	3,396,424	17.00%
Public Administration	56	0.07%	2,029	0.01%
Nonclassifiable Establishments		0.00%		0.00%
Total	84,358	100.00%	\$ 19,978,391	100.00%

Fiscal Year 2011				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,165	3.99%	\$ 224,548	1.27%
Mining	223	0.28%	95,566	0.54%
Construction	447	0.56%	19,479	0.11%
Manufacturing	3,306	4.17%	944,070	5.33%
Transportation and Public Utilities	3,297	4.16%	2,920,135	16.49%
Wholesale Trade	6,741	8.50%	1,300,644	7.35%
Retail Trade	29,017	36.59%	8,930,620	50.43%
Finance, Insurance, and Real Estate	2,121	2.67%	291,692	1.65%
Services	30,934	39.01%	2,980,187	16.83%
Public Administration	55	0.07%	2,082	0.01%
Nonclassifiable Establishments	-	0.00%	-	0.00%
Total	79,306	100.00%	\$ 17,709,023	100.00%

Fiscal Year 2008				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,856	3.84%	\$ 199,715	1.24%
Mining	185	0.25%	87,996	0.54%
Construction	514	0.69%	34,042	0.21%
Manufacturing	2,882	3.87%	658,846	4.07%
Transportation and Public Utilities	3,137	4.22%	2,324,638	14.37%
Wholesale Trade	5,780	7.77%	1,253,201	7.75%
Retail Trade	28,216	37.92%	8,572,397	53.00%
Finance, Insurance, and Real Estate	1,994	2.68%	320,208	1.98%
Services	28,817	38.72%	2,721,315	16.83%
Public Administration	33	0.04%	1,456	0.01%
Nonclassifiable Establishments	4	0.01%	36	0.00%
Total	74,418	100.00%	\$ 16,173,850	100.00%

Fiscal Year 2005				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,599	3.95%	\$ 157,489	1.169%
Mining	140	0.21%	48,785	0.362%
Construction	482	0.73%	16,761	0.124%
Manufacturing	1,973	3.00%	482,265	3.58%
Transportation and Public Utilities	3,564	5.41%	1,743,112	12.943%
Wholesale Trade	4,769	7.24%	998,408	7.414%
Retail Trade	23,974	36.42%	7,510,802	55.771%
Finance, Insurance, and Real Estate	1,623	2.47%	289,072	2.146%
Services	26,675	40.52%	2,219,300	16.48%
Public Administration	30	0.05%	1,219	0.009%
Nonclassifiable Establishments	2	0.00%	5	0.000%
Total	65,831	100.00%	\$ 13,467,218	100.00%

Fiscal Year 2013			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,424	4.13%	\$ 253,605	1.34%
233	0.28%	102,408	0.54%
463	0.56%	25,832	0.14%
3,608	4.35%	778,735	4.12%
2,941	3.55%	2,556,524	13.54%
7,226	8.72%	1,403,736	7.43%
30,452	36.74%	10,162,245	53.81%
2,133	2.57%	367,556	1.95%
32,354	39.03%	3,231,543	17.11%
60	0.07%	4,082	0.02%
	0.00%		0.00%
82,894	100.00%	\$ 18,886,266	100.00%

Fiscal Year 2010			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,975	3.97%	\$ 206,139	1.27%
218	0.29%	62,308	0.38%
462	0.62%	20,345	0.13%
3,084	4.11%	592,309	3.65%
3,093	4.13%	2,536,794	15.64%
6,237	8.32%	1,131,812	6.98%
28,214	37.63%	8,588,168	52.95%
2,058	2.75%	307,204	1.89%
28,589	38.13%	2,773,413	17.10%
44	0.06%	1,584	0.01%
1	0.00%	6	0.00%
74,975	100.00%	\$ 16,220,082	100.00%

Fiscal Year 2007			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,665	3.87%	\$ 178,366	1.18%
170	0.25%	79,841	0.53%
461	0.67%	18,338	0.12%
2,778	4.04%	675,156	4.48%
3,077	4.47%	2,010,946	13.34%
5,444	7.91%	1,151,922	7.64%
25,655	37.27%	8,080,893	53.60%
1,846	2.68%	318,811	2.12%
26,711	38.80%	2,561,395	16.99%
35	0.05%	1,337	0.01%
1	0.00%	8	0.00%
68,843	100.00%	\$ 15,077,013	100.00%

Fiscal Year 2012			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,274	4.05%	\$ 241,819	1.33%
218	0.27%	112,925	0.62%
469	0.58%	23,842	0.13%
3,399	4.20%	788,163	4.33%
3,034	3.75%	2,422,870	13.30%
7,186	8.88%	1,460,278	8.02%
29,963	37.02%	9,764,051	53.61%
2,116	2.62%	308,237	1.69%
31,216	38.57%	3,090,080	16.97%
56	0.07%	1,799	0.01%
	0.00%		0.00%
80,931	100.00%	\$ 18,214,064	100.00%

Fiscal Year 2009			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,933	3.54%	\$ 206,927	1.26%
218	0.26%	106,421	0.65%
547	0.66%	38,652	0.24%
3,397	4.10%	642,782	3.90%
3,817	4.61%	2,464,786	14.97%
7,318	8.83%	1,262,986	7.67%
32,538	39.26%	8,654,677	52.57%
2,196	2.65%	301,474	1.83%
29,880	36.05%	2,784,114	16.91%
38	0.05%	1,629	0.01%
3	0.00%	8	0.00%
82,885	100.00%	\$ 16,464,456	100.00%

Fiscal Year 2006			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,711	4.21%	\$ 170,983	1.19%
153	0.24%	73,130	0.51%
502	0.78%	20,626	0.14%
2,120	3.29%	611,195	4.25%
2,722	4.23%	1,853,628	12.89%
3,932	6.11%	1,115,834	7.76%
23,505	36.50%	7,870,890	54.73%
1,678	2.61%	317,054	2.21%
27,037	41.98%	2,346,888	16.32%
34	0.05%	1,307	0.01%
1	0.00%	9	0.00%
64,395	100.00%	\$ 14,381,544	100.00%

Source: South Dakota Sales and Use Tax Report, Department of Revenue and Regulation.

Notes:

- Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax resources, representing the largest source of funding for the General Fund.
- Taxable sales: This is the amount of sales and use taxable sales of tangible personal property, services and products delivered electronically which are subject to state tax or reservation tax unless specifically exempted. No Contractors Excise taxes are included.
- Whenever there are less than 3 licenses in any one classification, the information is combined into the "Nonclassifiable Establishments" category.
- Prior to January 1, 2006, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services, except for the gross receipts from the sale and lease of agricultural machinery, irrigation equipment, and oil and gas field services, which were taxed at 3%. Beginning January 1, 2006, all items subject to the state sales tax will be taxed at 4% to conform to the Streamlined Sales Tax Project. A use tax of the same rate as the sales tax rate is imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid.
- The taxable figures could include amended returns that were due in prior periods.

State of South Dakota
Ratios of Outstanding Long-Term Debt,
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities:										
Revenue Bonds	\$ 177,303	\$ 191,295	\$ 227,586	\$ 250,376	\$ 260,168	\$ 280,501	\$ 302,663	\$ 324,250	\$ 336,976	\$ 339,676
Trust Certificates	880	13,595	16,490	19,250	21,895	24,435	26,870	29,730	32,465	35,080
Capital Leases	100,727	78,682	64,279	40,187	25,480	29,632	30,971	30,992	30,925	34,413
Total Governmental Activities	278,910	283,572	308,355	309,813	307,543	334,568	360,504	384,972	400,366	409,169
Business-type Activities:										
Revenue Bonds	207,448	212,523	222,705	174,218	126,510	131,097	135,525	99,798	102,322	52,272
Capital Leases									4	13
Total Business-type Activities	207,448	212,523	222,705	174,218	126,510	131,097	135,525	99,798	102,326	52,285
Total Primary Government	\$ 486,358	\$ 496,095	\$ 531,060	\$ 484,031	\$ 434,053	\$ 465,665	\$ 496,029	\$ 484,770	\$ 502,692	\$ 461,454
South Dakota Total Personal Income (r)	\$ 38,897,143	\$ 38,095,829	\$ 36,607,690	\$ 33,148,886	\$ 31,621,813	\$ 32,255,724	\$ 29,438,571	\$ 26,560,119	\$ 25,939,922	\$ 25,126,239
Debt as a Percentage of Personal Income	1.3%	1.3%	1.5%	1.5%	1.4%	1.4%	1.7%	1.8%	1.9%	1.8%
South Dakota Population (in thousands)(r)	853	846	835	824	816	812	805	797	789	780
Long-Term Debt per Capita	\$ 570.17	\$ 586.40	\$ 636.00	\$ 587.42	\$ 531.93	\$ 573.48	\$ 616.19	\$ 608.24	\$ 637.13	\$ 591.61

Source: Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2005-2014)
Total Personal Income and Population data: US Bureau of Economic Analysis

Note: (a) South Dakota Total Personal Income figure for 2014 is preliminary.
(b) Detail about the State's debt can be found in Note 14 of the financial statements.
(c) Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000.
(d) The State has no specific limitation of the debt that can be issued by the Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund and the Drinking Water State Revolving Fund, however Legislative approval is required.
(r) Data for Total Personal Income for 2005 - 2013 has been revised.
Data for South Dakota Population has been revised for fiscal years 2005,2006,2007,2008,2012,and 2013

State of South Dakota
Ratios of Outstanding Long-Term Debt,
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue Bonds and Trust Certificates										
- Building Authority										
Revenue - lease payments	\$ 12,654	\$ 13,569	\$ 14,646	\$ 15,052	\$ 15,276	\$ 15,940	\$ 17,003	\$ 16,778	\$ 16,989	\$ 17,182
Less: Operating expenses										
Net available revenue	\$ 12,654	\$ 13,569	\$ 14,646	\$ 15,052	\$ 15,276	\$ 15,940	\$ 17,003	\$ 16,778	\$ 16,989	\$ 17,182
Debt service										
Principal	\$ 6,978	\$ 10,713	\$ 11,243	\$ 11,240	\$ 11,218	\$ 11,196	\$ 11,791	\$ 11,479	\$ 11,196	\$ 11,255
Interest	5,478	2,559	3,355	3,731	3,989	4,558	5,071	4,003	5,844	5,985
Total	\$ 12,456	\$ 13,272	\$ 14,598	\$ 14,971	\$ 15,207	\$ 15,754	\$ 16,862	\$ 15,482	\$ 17,040	\$ 17,240
Coverage	1.02	1.02	1.00	1.01	1.00	1.01	1.01	1.08	1.00	1.00
Revenue Bonds										
-Educational Enhancement Funding Corp.										
Revenue -										
Tobacco settlement	\$ 26,326	\$ 23,914	\$ 24,359	\$ 22,908	\$ 22,751	\$ 31,161	\$ 27,679	\$ 25,071	\$ 19,471	\$ 22,324
Investment Earnings	7	1,079	1,202	1,098	1,126	1,204	1,437	1,401	1,509	1,258
Less: Operating expenses		165	152	152	149	161	149	158	148	176
Net available revenue	\$ 26,333	\$ 24,828	\$ 25,409	\$ 23,854	\$ 23,728	\$ 32,204	\$ 28,967	\$ 26,314	\$ 20,832	\$ 23,406
Debt service										
Principal	13,995	18,800								
Interest	4,498	10,828	12,975	13,799	14,583	15,615	16,480	16,841	17,134	17,522
Total	\$ 18,493	\$ 29,628	\$ 12,975	\$ 13,799	\$ 14,583	\$ 15,615	\$ 16,480	\$ 16,841	\$ 17,134	\$ 17,522
Coverage	1.42	0.84	1.96	1.73	1.63	2.06	1.76	1.56	1.22	1.34
Revenue Bonds										
-Clean Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 25,502	\$ 24,394	\$ 29,078	\$ 43,202	\$ 16,789	\$ 16,089	\$ 14,689	\$ 10,780	\$ 9,702	\$ 11,593
Investment Income	3,988	3,402	3,494	3,259	2,722	2,600	2,258	3,104	4,046	3,048
Other Income	1,332	1,238	1,243	1,320	1,301	1,242	1,212	1,122	866	793
Less: Operating expenses	1,080	2,476	1,304	982	948	779	1,710	1,448	1,219	485
Net available revenue	\$ 29,742	\$ 26,558	\$ 32,511	\$ 46,799	\$ 19,864	\$ 19,152	\$ 16,449	\$ 13,558	\$ 13,395	\$ 14,949
Debt service										
Principal	\$ 7,415	\$ 6,110	\$ 4,320	\$ 3,665	\$ 2,820	\$ 2,730	\$ 2,635	\$ 1,210	\$ 1,165	\$ 150
Interest	5,361	5,578	4,063	3,188	2,872	2,562	2,477	2,376	1,709	260
Total	\$ 12,776	\$ 11,688	\$ 8,383	\$ 6,853	\$ 5,692	\$ 5,292	\$ 5,112	\$ 3,586	\$ 2,874	\$ 410
Coverage	2.33	2.27	3.88	6.83	3.49	3.62	3.22	3.78	4.66	36.46
Revenue Bonds										
-Drinking Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 19,597	\$ 19,956	\$ 34,599	\$ 31,338	\$ 13,987	\$ 12,824	\$ 10,599	\$ 9,230	\$ 5,322	\$ 4,348
Investment Income	3,148	2,558	2,351	1,987	1,681	1,780	1,641	1,828	2,055	1,995
Other Income	909	929	1,064	1,034	886	897	868	835	678	511
Less: Operating expenses	142	146	137	164	213	57	70	50		
Net available revenue	\$ 23,512	\$ 23,297	\$ 37,877	\$ 34,195	\$ 16,341	\$ 15,444	\$ 13,038	\$ 11,843	\$ 8,055	\$ 6,854
Debt service										
Principal	\$ 4,380	\$ 4,050	\$ 2,845	\$ 2,495	\$ 1,815	\$ 1,745	\$ 1,685	\$ 1,360	\$ 440	\$ 415
Interest	2,155	2,284	2,676	2,517	2,281	2,223	2,142	2,074	2,147	1,732
Total	\$ 6,535	\$ 6,334	\$ 5,521	\$ 5,012	\$ 4,096	\$ 3,968	\$ 3,827	\$ 3,434	\$ 2,587	\$ 2,147
Coverage	3.60	3.68	6.86	6.82	3.99	3.89	3.41	3.45	3.11	3.19

Source: Clean Water State Revolving Fund Financial Statements, Drinking Water State Revolving Fund Financial Statements, Education Enhancement Funding Corporation Annual Report, and Building Authority Lease Rental Schedules and Debt Service Schedules.

- Note:**
- (a) The Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, and Drinking water State Revolving Fund are considered to be blended component units of the State. The Revenue Bonds and Trust Certificates issued by these entities may not be or become a lien, charge, or liability against the State.
 - (b) For the Educational Enhancement Funding Corp: Based upon the adjusted mandatory principal payments. Not in the calculation, \$92,265,000 in principal has been turbo redeemed from June 1, 2003 through June 30, 2012.
 - (c) Debt coverage on Clean Water bonds in FY 2005 is 36.46% because all but one previous bond issue was refunded during that fiscal year, so there was not any debt services payment on those bonds during that fiscal year.
 - (d) The Educational Enhancement Funding Corporation was created in FY 2003.
 - (e) All funds are presented on a accrual basis except for the Building Authority Fund which is presented on a cash basis.

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2014	318,857	0.7%	21,006	0.5%	853	0.8%
2013	316,498	0.8%	20,893	0.6%	846	1.3%
2012	314,112	0.8%	20,759	0.6%	835	1.3%
2011	311,722	0.8%	20,645	0.5%	824	1.0%
2010	309,347	0.8%	20,536	0.7%	816	0.5%
2009	306,772	0.9%	20,392	0.7%	812	0.9%
2008	304,094	1.0%	20,249	0.7%	805	1.0%
2007	301,231	1.0%	20,106	0.7%	797	1.0%
2006	298,380	1.0%	19,957	0.8%	789	1.2%
2005	295,517	0.9%	19,803	0.6%	780	0.8%

Note: Midyear (July 1) population estimates. Revised estimates for 2010, 2011, 2012 and 2013. With each new release of July 1 population estimates, the Census Bureau Revises estimates for years back to the last census.

* The West North Central states include Iowa, Kansas, Minnesota, Missouri, Nebraska, N. Dakota and S. Dakota

Source: U.S. Bureau of the Census, Population Division

TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2013	14,151,427	2.0%	935,598	1.8%	38,897	2.1%
2012r	13,873,161	5.2%	918,738	5.4%	38,096	4.1%
2011r	13,189,935	6.2%	871,689	7.5%	36,608	10.4%
2010r	12,417,659	2.8%	810,969	2.4%	33,149	4.8%
2009r	12,080,223	-2.8%	791,976	-2.5%	31,622	-2.0%
2008r	12,429,234	3.7%	812,602	6.2%	32,256	9.6%
2007r	11,990,104	5.4%	765,477	6.3%	29,439	10.8%
2006r	11,376,405	7.3%	719,840	5.9%	26,560	2.4%
2005r	10,605,595	5.6%	679,810	3.6%	25,940	3.2%
2004r	10,043,231	5.9%	656,006	5.4%	25,126	5.9%

Note: Revised estimates reflect the revision of the National Income and Product Accounts (NIPA's), and newly available state and local data.

r = Revised Estimates

* The Plains states include Iowa, Kansas, Minnesota, Missouri, Nebraska, N. Dakota and S. Dakota

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Last Updated September 2014

UNEMPLOYMENT RATE (Seasonally Adjusted)

YEAR	SOUTH DAKOTA	UNITED STATES
2014p	3.5%	6.2%
2013r	3.8%	7.4%
2012r	4.2%	8.1%
2011r	4.7%	8.9%
2010r	5.1%	9.6%
2009r	5.2%	9.3%
2008	3.0%	5.8%
2007	2.9%	4.6%
2006	3.1%	4.6%
2005	3.7%	5.1%

p = Preliminary r = Revised Estimates

Estimates for 2009 through 2013 have been recently updated.

Source: U.S. Bureau of Labor Statistics and Labor Market Information Center

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2013	\$ 44,765	1.3%	\$ 44,796	1.2%	\$ 46,039	0.8%
2012r	44,200	4.4%	44,265	4.8%	45,676	2.8%
2011r	42,332	5.5%	42,231	6.9%	44,439	9.4%
2010r	40,144	1.9%	39,490	1.7%	40,613	3.7%
2009r	39,379	-3.7%	38,836	-3.2%	39,181	-2.9%
2008r	40,873	2.7%	40,131	5.4%	40,364	8.5%
2007r	39,804	4.4%	38,073	5.6%	37,188	9.6%
2006r	38,127	6.2%	36,070	5.1%	33,920	1.4%
2005r	35,888	4.6%	34,329	3.0%	33,450	2.6%
2004r	34,300	5.0%	33,320	4.8%	32,615	5.0%

Note: Per Capita personal income is total personal income divided by total mid-year population estimate. Midyear (July 1) population estimates source: U.S. Census Bureau.

r = Revised Estimates

* The Plains states include Iowa, Kansas, Minnesota, Missouri, Nebraska, N. Dakota and S. Dakota

Source: U.S. Department of Commerce, September 2014

**State of South Dakota
Top Ten Employers
2014 as Compared to 2005**

2014 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	Avera Medical (System-Wide)	14,845	3.6%
2	South Dakota State Government*	14,623	3.6%
3	Federal Government	11,122	2.7%
4	Sanford Medical (System-Wide)	9,348	2.3%
5	Sioux Falls MSA Local Government**	8,883	2.2%
6	Rapid City MSA Local Government**	5,913	1.4%
7	Rapid City Regional Hospital Inc. (System-Wide)	4,726	1.2%
8	Walmart Associates (Oct. 14, 2014)	4,998	1.2%
9	Hy Vee Food Store	4,677	1.1%
10	Wells Fargo Bank	3,540	0.9%
Total Top Ten Employers		82,675	20.3%
Total SD Employment 2014		407,872	

* Includes Board of Regent Employees, a component unit of the State of South Dakota

** Labor Market Information Center (LMIC) only provides data for covered workers for Sioux Falls and Rapid City Metropolitan Statistical Areas (MSA). Other cities are not available.

Sources: Compiled by the Governor's Office of Economic Development January 2015
List of Companies: SD Dept. of Labor, Labor Market Information Center (LMIC)
Employment Numbers: Private Companies (HR Departments & Corporate websites),
LMIC for government employers

Note: a) Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha and Turner.
b) Rapid City MSA includes the following counties: Pennington and Meade.

2005 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	South Dakota State Government*	13,889	3.7%
2	Federal Government	11,200	3.0%
3	Sioux Falls MSA Local Government**	7,729	2.1%
4	Rapid City MSA Local Government**	5,591	1.5%
5	Sioux Valley Hospital (Sioux Falls)	5,380	1.4%
6	Wal-Mart (Statewide)	4,200	1.1%
7	Avera McKennan Hospital (Sioux Falls)	3,450	0.9%
8	John Morrell & Company (Sioux Falls)	3,300	0.9%
9	Citibank South Dakota NA (Sioux Falls)	3,200	0.9%
10	Regional City Regional Hospital (Rapid City)	3,000	0.8%
Total Top Ten Employers		60,939	16.2%
Total SD Employment 2005		375,702	

* Includes Board of Regent Employees, a component unit of the State of South Dakota

** Labor Market Information Center (LMIC) only provides data for covered workers for Sioux Falls and Rapid City Metropolitan Statistical Areas (MSA). Other cities are not available.

Sources: Governor's Office of Economic Development, October 2003; Development Corporations and Individual companies. Compiled by SD State Data Center, USD Business Research Bureau, and Labor Market Information Center (LMIC).

Note: a) Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha and Turner.
b) Rapid City MSA includes the following counties: Pennington and Meade.
c) Per LMIC, school district employment data is not available.

NONFARM WAGE AND SALARY EMPLOYMENT BY INDUSTRY¹
(Expressed in Thousands)

	2014p	2013r	2012r	2011	2010	2009	2008	2007	2006	2005
Natural Resources/Mining/Construction*	21.8	21.3	21.1	21.1	21.0	21.8	23.3	23.1	22.8	21.9
Manufacturing	42.4	41.6	41.2	39.2	36.9	37.7	42.7	42.0	41.6	39.8
Trade/Transportation/Utilities	84.3	83.3	83.0	81.7	80.6	80.7	82.2	81.6	80.1	78.9
Wholesale Trade	20.8	19.8	19.5	19.0	18.6	18.3	18.7	18.5	18.2	17.6
Retail Trade	50.9	51.0	51.0	50.2	49.5	49.6	50.2	50.2	49.2	49.3
Trans/Warehousing/Util	12.6	12.5	12.5	12.5	12.5	12.8	13.2	12.9	12.7	12.1
Information	6.2	6.1	6.2	6.4	6.5	6.7	6.9	7.2	6.9	6.8
Financial Activities	29.8	29.7	28.6	28.1	28.9	30.4	31.0	30.8	29.5	28.5
Professional/Business Svcs.	30.3	29.4	29.2	28.7	27.5	26.9	28.0	27.6	25.7	24.5
Educational/Health Services	67.7	68.0	67.1	65.3	64.5	63.2	62.0	60.0	58.5	57.4
Leisure and Hospitality	44.3	44.4	44.3	43.4	43.0	42.9	43.2	42.8	42.5	41.7
Other Services (Except Public Administration)	16.2	16.0	15.8	15.6	15.6	15.7	15.9	15.8	15.6	15.5
Government	78.0	77.4	77.5	78.0	78.7	77.8	76.2	75.6	75.3	75.3
TOTAL	421.0	417.2	414.0	407.5	403.2	403.7	411.4	406.4	398.6	390.1
% Change in Nonfarm Employment	1.7%	2.4%	1.6%	1.1%	-0.1%	-1.9%	1.2%	2.0%	2.2%	1.7%

Note: Numbers may not add due to rounding. Data not seasonally adjusted. Effective January 2001, an economic code change moved tribal workers from non-government to government.

¹ Based on North American Industry Classification System (NAICS)

* Effective January 1, 2008, the construction category is no longer separated out for nonfarm wage and salaried workers. It is now combined with Natural Resources and Mining.

p = Preliminary Data

r = Revised Data

Source: Labor Market Information Center (LMIC) in cooperation with the U.S. Bureau of Labor Statistics

EXPANDED AND NEW INDUSTRIES
(Dollars Expressed in Millions)

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
2014	352	\$459.4	8	\$16.3	360	\$475.7
2013	283	\$278.6	8	\$204.7	291	\$483.3
2012	406	\$403.3	3	\$0.0	409	\$403.3
2011	367	\$276.5	4	\$0.9	371	\$277.4
2010	323	\$111.2	12	\$0.3	335	\$111.5
2009	398	\$215.5	9	\$0.0	408	\$217.0
2008	522	\$342.3	13	\$59.5	535	\$401.8
2007	528	\$733.4	8	\$2.7	536	\$736.1
2006	461	\$263.6	13	\$143.9	474	\$407.5
2005	344	\$221.0	16	\$54.1	360	\$275.1

Note: Only manufacturing and processing companies are included in the above totals.

Source: Governor's Office of Economic Development

State of South Dakota
Capital Asset Statistics by Function
as of June 30, 2014

	Fiscal Year			
	2014	2013	2012	2011
General Government				
Vehicles	2,929	2,862	2,852	2,949
Land (Acres)	760,806	760,804	760,828	760,828
Equipment	1,367	1,388	1,406	1,296
Buildings	19	15	17	17
Infrastructure	0	0	0	0
Health, Human, and Social Services				
Vehicles	7	8	8	8
Land (Acres)	799	777	710	710
Equipment	604	610	590	554
Buildings	93	48	47	47
Infrastructure	0	0	0	0
Law, Justice, Public Protection, and Regulation				
Vehicles	320	339	324	320
Land (Acres)	1,510	1,484	1,387	2,066
Equipment	940	932	826	762
Buildings	156	71	74	74
Infrastructure	0	0	0	0
Agriculture and Natural Resources				
Vehicles	373	373	377	365
Land (Acres)	360,323	360,137	360,039	360,039
Equipment	1,509	1,490	1,457	1,357
Buildings	65	55	52	52
Infrastructure	0	0	0	0
Transportation				
Vehicles	1,250	1,183	1,206	1,268
Land (Acres)	3,206	3,294	3,498	3,618
Land, ROW Roads	\$ 92,796,015	\$ 92,689,993	\$ 89,954,671	\$ 86,389,686
Land Improvements, Roads	\$ 514,620,856	\$ 512,129,195	\$ 512,129,195	\$ 512,410,674
Equipment	3,415	3,211	3,081	3,043
Buildings	175	115	109	104
Infrastructure				
-Roads: Lane Miles	8,850	8,850	8,858	8,858
-Bridges: Number of	1,796	1,798	1,799	1,805
-Railroads: Track Miles	530	530	513	513
Education				
Vehicles	0	0	0	0
Land (Acres)	77	77	77	45
Equipment	24	17	11	15
Buildings	27	26	22	22
Infrastructure	0	0	0	0
Economic Resources				
Vehicles	0	1	2	2
Land (Acres)	0	0	0	0
Equipment	49	45	42	48
Buildings	1	0	0	0
Infrastructure	0	0	0	0

* Restated balances

Source: Survey conducted by BFM of the department's finance personnel.

Note: Because of the complicated nature of retrieving this data, only FY 2006, FY 2007, FY 2008, FY 2009, FY 2010, FY 2011, FY 2012, FY 2013 and FY 2014 will be shown.
Data will be added to future CAFR reports until the data shown reaches ten years.

Fiscal Year				
2010	2009	2008	2007	2006
2,743	2,683	2,879	2,711	2,636
760,828	760,828	760,832	760,832	761,295
1,275	1,291	1,416	1,477	1,970
16	15	13	13	21*
0	0	0	0	0
7	7	12	6	5
710	906	901	901	901
539	479	510	566	540
46	46	46	46	46
0	0	0	0	0
312	281	314	313	323
2,067	2,313	2,313	2,313	2,313
682	596	607	627	599
76	68	67	70	54*
0	0	0	0	0
340	309	326	326	300
352,128	350,245	348,552	297,796	293,775
1,292	1,208	1,173	1,123	1,095
53	48	48	35	34
0	0	0	0	0
1,241	1,149	1,607	1,259	1,194
3,747	3,891	3,875	3,883	3,950
\$ 84,159,719	\$ 76,597,880	\$ 73,884,865	\$ 69,080,371	\$ 48,033,462
\$ 512,410,674	\$ 512,410,674	\$ 512,410,674	\$ 512,498,327	\$ 512,216,849
2,828	2,603	2,511	2,402	2,258
102	98	96	96	88
8,858	8,862	8,862	8,864	8,886
1,803	1,809	1,805	1,800	1,805
513	513	513	513	328
0	0	0	0	0
45	33	33	33	33
24	30	32	47	53
22	22	22	22	25
0	0	0	0	0
2	1	1	3	2
0	0	0	0	0
49	36	37	39	41
0	0	0	0	0
0	0	0	0	0

State of South Dakota
Operating Indicators by Function,
Last Ten Fiscal Years

	Fiscal Year		
	2014	2013	2012
General Government			
Executive Management			
Bureau of Finance and Management			
Complete Governors Budget Book	Annual	Annual	Annual
Finalize State Operating Budget	Annual	Annual	Annual
Bureau of Information and Telecommunications			
Data Storage (GB)	N/A	N/A	N/A
SDPB Local Production (Hours)	3,735	3,656	2,056
Radio Calls through Digital Network	26,319,746	26,968,003	26,052,239
Bureau of Human Resources			
Health: Employees, COBRA, Retirees/Dependents	13,413 / 13,426	13,296 / 13,305	13,234 / 13,008
Bureau of Administration			
Pieces of Mail Handled/Year	7,719,049	8,047,767	8,631,113
Total Miles Driven	38,241,658	38,739,712	38,755,956
Revenue			
Total Active Business Licenses	80,236	81,047	80,130
Vehicles Registered	1,258,147	1,402,128	1,081,516
Misc. Special Tax Licenses	5,372	5,430	5,333
Lottery			
Licensed Lottery Retailers--Instant Only	12	12	12
Licensed Lottery Retailers--On-line	600	597	591
Legislature			
Legislative Research Council	N/A	N/A	N/A
Auditor General			
Audits Performed	56	49	73
Audits Reviewed (IPA reports)	322	338	327
School and Public Lands			
Apportion Common School Interest Fund and Income to School Districts (in Thousands)	\$ 8,774	\$ 7,422	\$ 7,433
Apportion Endowed Income and Interest Fund to Ten Endowed Institutions (in Thousands)	\$ 1,500	\$ 1,991	\$ 1,957
Secretary of State			
Business and Secured Transaction Filings	151,658	100,492	92,608
State Treasurer			
Cash Receipts (Thousands)	\$ 4,883,829	\$ 4,621,725	\$ 4,667,076
Unclaimed Property - Claims Paid	10,024	3,973	2,992
State Auditor			
Vouchers Audited	297,649	289,083	291,219
Warrants Written	306,344	318,863	400,307
Health, Human, and Social Services			
Social Services			
Medicaid Enrolled/Month	115,328	116,128	115,731
Long Term Care Services - Clients Served	4,051	4,053	4,138
Health			
Immunization Rate, Children 19-35 Months			
4:3:1:3:3 Shot Series	N/A	N/A	N/A
Public Health Investigations	13,875	12,618	10,386
Labor			
State Labor Force	450,660	446,990	444,805
Unemployment Rate	3.70%	4.30%	4.50%
South Dakota Retirement System			
Budget Compared to Assets	0.040%	0.040%	0.042%
Budget Compared to Benefits	0.890%	0.870%	0.900%
Veterans Benefits and Services			
South Dakota Veteran Population	75,000	75,000	72,000
State Veterans' Home			
Average Daily Census	113	118	130
Human Services			
People with Developmental Disabilities Served	3,078	3,032	2,970
People with Mental Illness Served	16,142	16,110	15,572
People with Substance Abuse Issues Served	11,579	12,305	14,307
People Receiving Vocational Rehabilitation Services	5,798	6,166	6,477

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual
N/A	N/A	N/A	N/A	10,347	6,273	1,732
2,456	1,528	1,480	736	740	719	615
24,122,503	22,188,596	21,468,474	21,885,767	22,584,630	18,719,091	14,377,144
13,372 / 12,488	13,427 / 11,876	13,316 / 11,568	13,171 / 11,696	13,133 / 11,846	13,105 / 11,713	12,853 / 11,093
8,991,825	9,274,640	9,687,084	9,909,143	11,638,363	9,977,094	10,286,652
37,663,512	37,506,764	37,136,509	38,788,928	38,180,716	39,406,852	39,017,332
78,399	78,919	76,367	73,456	72,315	70,685	68,691
1,156,109	1,137,621	1,113,254	1,168,616	1,129,972	1,135,960	1,102,710
5,332	5,346	5,298	5,580	5,672	8,030	7,977
13	14	129	620	615	609	597
584	579	480	476	447	407	365
N/A	N/A	N/A	N/A	N/A	N/A	N/A
59	58	59	56	81	69	73
356	349	286	285	322	293	271
\$ 8,274	\$ 8,672	\$ 10,997	\$ 8,771	\$ 8,453	\$ 8,265	\$ 4,297
\$ 1,629	\$ 1,905	\$ 1,990	\$ 1,967	\$ 2,026	\$ 1,753	\$ 1,464
90,291	91,288	97,572	100,959	101,215	95,518	102,162
\$ 4,435,684	\$ 4,196,085	\$ 3,812,475	\$ 3,843,830	\$ 3,705,226	\$ 3,625,844	\$ 3,402,620
4,619	7,390	6,113	6,505	5,084	6,138	8,398
293,522	288,997	283,596	287,358	287,076	309,479	310,579
433,121	451,581	473,409	507,447	595,412	634,882	737,425
114,405	111,005	104,520	102,310	100,393	100,274	97,810
4,276	4,346	4,347	4,359	4,419	4,452	4,642
N/A	N/A	N/A	N/A	N/A	N/A	87%
10,379	15,292	12,365	13,014	12,922	15,416	16,711
444,980	442,940	447,275	443,765	440,030	432,442	427,374
4.90%	5.00%	4.10%	2.80%	3.00%	3.50%	3.80%
0.053%	0.057%	0.063%	0.045%	0.044%	0.044%	0.049%
1.120%	1.140%	1.180%	1.110%	1.220%	1.260%	1.300%
72,000	72,400	73,500	74,273	73,325	74,224	75,104
129	132	129	124	119	119	122
2,899	2,837	2,814	2,776	2,762	2,727	2,668
14,915	13,998	13,261	12,901	12,246	11,591	10,389
14,893	15,131	15,338	15,146	15,069	14,180	16,394
6,224	5,710	5,606	5,714	6,508	6,819	6,717

State of South Dakota
Operating Indicators by Function,
Last Ten Fiscal Years (continued)

	Fiscal Year		
	2014	2013	2012
Law, Justice, Public Protection, and Regulation			
Corrections			
Adult System ADP (Average Daily Population)	3,645	3,637	3,565
Avg. Daily Population on Supervision	2,297	2,473	2,418
Juvenile Institutional and Placement ADP	649	688	526
Unified Judicial System			
Felony Offenses Filings/Pending	9413 / N/A	6856 / N/A	7225 / N/A
Class One Misdemeanor Filings/Pending	20518 / N/A	22720 / N/A	21690 / N/A
Class Two Misdemeanor Filings/Pending	105,213 / N/A	111,461 / N/A	117,594 / N/A
Attorney General			
New Cases Opened/Closed/Pending (Thousands)	2.2 / 2.9 / 1.5	1.2 / 2.2 / 1.6	.85 / 2.1 / 1.5
Investigations Conducted by DCI	1,077	1,013	1,012
Public Safety			
Patrol of Public Highways (Percentage)	60%	45%	46%
Patrol of Public Highways (Hours)	N/A	N/A	N/A
Driver Licenses Issued	156,731	198,733	201,766
Military and Veterans Affairs			
Assigned Strength of the Army Guard	3,204	3,220	3,266
Assigned Strength of the Air Guard	1,044	1,030	1,038
Appraiser Program			
New / Renewed Licenses	10 / 368	20 / 399	15 / 383
Revenue Financial Services			
Banking Institutions Examined	542	534	563
Dealer, Broker & Investment Advisor			
Agents Licensed	86,131	81,567	79,886
Renewed & Issued Insurance			
Appointments/Licenses	269,568	286,078	243,465
Revenue Boards and Commissions			
New & Renewed Licenses Issued	7,102	7,137	7,517
Public Utilities Commission			
Dockets Opened	240	265	238
Agriculture and Natural Resources			
Agriculture			
Wildfires Suppressed: (Fires/Acres)	451 / 11,421	1,253 / 148,604	1,267 / 123,484
Dairy Inspections	520	713	831
Marketing Consultations	N/A	390	375
Insect & Disease Individual Assists	288	491	354
Game, Fish and Parks			
Total Park Visitations	8,115,000	8,091,937	7,682,751
Acres of Walk-In Areas	1,270,000	1,277,000	1,271,743
Environment and Natural Resources			
Dollars Awarded/Number of Grants and Loans (Added Water Quality Grants in FY05 & FY06)	78.9M / 95	88.8M / 108	96.4M / 129
Total Number of Regulated Facilities	28,740	27,820	27,331
Petroleum Release Compensation			
Petroleum Release Cases Initiated	45	120	95
Abandoned Tank Site Cases Initiated	100	81	45
Transportation			
Transportation			
Percent of Non-interstate State Highway System Main Lane Pavement Mileage Rated Good or Better on Condition Index	89	88	93
Percent of Interstate Pavement in Excellent Condition Based on Condition Index	46	45	53
Education			
Student K-12 Public School Fall Enrollment	128,924	127,169	125,152
Economic Resources			
Tourism and State Development			
Capital Investment Reported (Millions)	\$ 300.0	\$ 400.0	\$ 282.0
New Jobs Created (Calendar Year)	4,000	3,000	4,248
Tourism's Impact on South Dakota Economy (Billions)	\$ 1.98	\$ 1.95	\$ 1.86

Source: State's Budget System and/or survey of department finance personnel.
N/A= Not Applicable

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
3,479	3,490	3,428	3,373	3,412	3,466	3,177
2,452	2,385	2,311	2,379	2,312	2,011	2,243
459	446	497	461	489	510	512
6,456 / N/A	6,126 / N/A	5,745 / 7,249	5,797 / 7,104	5,660 / 7,388	6,970 / 7,462	7,032 / 7,970
19,929 / N/A	20,141 / N/A	21,896 / 23,039	22,611 / 22,924	23,464 / 22,296	24,064 / 22,570	22,094 / 20,330
112,853 / N/A	124,965 / N/A	134,617 / 44,143	139,262 / 46,389	139,933 / 43,043	141,405 / 43,614	142,605 / 40,449
1.0 / 1.3 / 2.5	.8 / 1.3 / 2.3	.8 / 1.1 / 2.1	1.1 / .9 / 2.0	1.1 / 1.0 / 1.9	1.2 / 1.2 / 1.9	1.3 / 1.2 / 1.9
902	867	772	759	534	599	580
45%	N/A	N/A	N/A	N/A	N/A	N/A
131,508	130,700	130,503	124,763	139,828	136,428	125,844
198,871	176,153	150,056	195,900	205,260	198,755	189,727
3,420	3,441	3,391	3,368	3,360	3,425	3,425
1,057	1,103	1,108	1,012	1,008	1,015	1,030
11 / 381	18 / 354	17 / 372	22 / 354	17 / 360	33 / 361	30 / 360
562	538	538	553	376	609	606
77,038	62,262	61,995	63,004	60,015	54,396	51,146
270,412	269,361	254,327	223,240	210,739	211,904	196,873
6,853	8,191	7,425	8,387	7,351	7,759	6,577
143	178	199	227	306	258	306
468 / 7,100	398 / 10,335	337 / 5,803	595 / 55,731	904 / 288,616	762 / 47,860	412 / 7,309
956	1,078	1,444	1,300	1,350	1,549	1,532
375	385	360	396	300	220	240
307	333	400	500	792	390	373
7,469,331	7,785,508	7,638,828	7,371,201	7,326,503	7,202,975	7,148,102
1,300,000	1,250,000	1,201,430	1,152,653	1,000,000	1,080,000	935,163
119.1M / 155	80.6M / 109	100M / 129	99.3M / 113	34.8M / 102	91.4M / 135	108.2M / 150
26,679	26,365	26,328	25,677	24,445	23,123	20,711
62	64	70	45	22	29	27
36	45	53	33	45	38	53
88	85	84	83	83	78	77
33	31	45	40	41	35	24
123,629	122,055	121,015	121,089	120,278	120,682	121,327
\$ 118.0	\$ 217.0	\$ 401.8	\$ 736.1	\$ 407.5	\$ 275.1	\$ 241.8
4,462	3,298	3,952	4,083	3,044	3,202	3,046
\$ 1.76	\$ 2.42	\$ 2.74	\$ 2.42	\$ 2.35	\$ 2.16	\$ 2.02

State of South Dakota
Full-Time Equivalent State Employees by Function of Government,
Last Ten Fiscal Years
(excluding Higher Education)

Function of State Government:	Fiscal Year				
	2014	2013	2012	2011	2010
General Government	983	970	967	1,003	1,020
Health, Human, and Social Services	2,999	3,009	3,004	3,040	3,121
Law, Justice, Public Protection, and Regulation	2,223	2,186	2,142	2,160	2,130
Agriculture and Natural Resources	929	941	925	938	942
Transportation	980	978	965	987	1,004
Education	128	130	132	133	135
Economic Resources	198	197	170	264	257
State Total	8,440	8,411	8,305	8,525	8,609

Function of State Government:	Fiscal Year				
	2009	2008	2007	2006	2005
General Government	1,019	1,000	993	990	979
Health, Human, and Social Services	3,064	3,051	3,054	3,113	3,083
Law, Justice, Public Protection, and Regulation	2,119	2,131	2,110	2,081	2,012
Agriculture and Natural Resources	918	908	899	907	911
Transportation	1,000	1,015	1,012	1,024	1,020
Education	130	134	139	136	130
Economic Resources	199	180	168	170	168
State Total	8,449	8,419	8,375	8,421	8,303

Source: State's Budget System RB12

Note:

- (a) A full-time equivalent employee, or FTE, represents one full-time position, or a number of part-time or seasonal positions.

